

March 2024 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 31 March 2024 (Q3FY24 or Q3) and Appendix 4C.

Q3FY24 Highlights:

- Q3FY24 Net Sales revenue was \$3.3 million, down \$0.2 million vs. Q3FY23, largely reflecting softer trading conditions in the domestic market, with wholesale channels and Lark hospitality venues most impacted.
- Commencement of direct export sales, with \$0.6m of shipments to Singapore & Indonesia in Q3, fully offsetting the reduction in the Chinese indirect export channel in the quarter.
- Lark’s Global Travel Retail presence continues to grow in key Australian airports, with Net Sales in the quarter up \$0.2 million versus Q3FY23.
- Continued strong operating momentum and disciplined execution against International Sales milestones, targeting more than 50% of Net Sales from shipments to Export / GTR Customers by FY27, with Distribution Agreements now signed for the Philippines and Malaysia, and shipments to commence from Q4FY24.
- Strong performance of personalised Classic Cask via DTC Ecommerce in addition to continued growth of the Core Lark Single Malt Signature collection with Net Sales growth of 5% in domestic channels, despite ongoing soft trading conditions.
- Continued focus on capital discipline has resulted in year-on-year production cash savings, with a \$0.5 million benefit in Q3 vs. Q3FY23 and year to date benefit of \$2.5 million.
- Net operating activity cash outflows were \$1.4 million for the quarter, reflecting a \$0.2 million improvement versus Q3FY23.
- Whisky Bank of 2.4 million litres at 31 March 2024 provides flexibility in the stock model to support future growth (31 December 2023: 2.4 million litres).
- Cash balance of \$4.0 million at 31 March 2024, with \$15 million undrawn committed bank facility available.

Lark CEO Sash Sharma added:

“We have made good progress in FY24 year to date in executing against our international sales momentum milestones, and we are delighted to have commenced our new sustainable export shipments during the March quarter, with sales of \$0.6 million to Indonesia and Singapore. We also signed Distribution Agreements for Malaysia and Philippines in late March, with anticipated shipments of \$0.3 million in Q4FY4, with H2 Direct Export sales offsetting more than half the expected shortfall of the legacy Chinese indirect exports sales of \$1.7 million in the second half of FY24. These first critical steps into Export markets with Distributor Partners is a significant milestone as we execute on our strategy and expand our total addressable market beyond Australia. We are focussed on driving depletions and brand awareness in these markets, in addition to onboarding further priority markets in time as we deliver against our ambition of making Lark a leader in new world whisky on the Global stage.

Our nascent Global Travel Retail business continued to grow its presence and performance in key domestic airports, with \$0.2 million sales for the quarter, and YTD sales of \$0.8 million. Pleasingly, against the backdrop of soft consumer confidence and challenging trading conditions, which is more evident in hospitality venues and domestic wholesale route to market, the underlying performance of the core range continues to perform well, with the Core Lark Signature Collection up 5% versus Q3FY23 in domestic channels, and growth in E-Commerce supported by the strong take up of Personalised Lark Classic Cask.

The continued focus on cash and capital discipline continues to deliver production cost savings, and supported an improvement in our underlying operating cashflow, \$0.2 million favourable versus Q3FY23.

Our high-quality Whisky Bank provides flexibility in our stock model and supports future growth, while our whisky's excellence continues to receive global acclaim, with recent success at the 2024 World Whiskies Awards which included Lark Fresh IPA Cask being crowned Australia's Best Single Malt Whisky, while Symphony No.1 was recognised as Australia's Best Blended Malt Whisky, for the third consecutive year."

March 2024 Quarter Cashflow Highlights

Net operating activity cash outflows were \$1.4 million for the quarter, reflecting a \$0.2 million improvement versus the Q3FY23 outflow.

Operating activity inflows through customer receipts totalled \$4.3 million representing a \$1.2 million decrease on the prior quarter, and down \$0.6 million versus Q3FY23 of \$4.9 million, largely reflecting the timing of receipts, and the slowdown in wholesale route to market and Lark hospitality venues.

Payments for product manufacturing and operating costs continued the year-to-date savings trend, down \$0.5 million versus Q3FY23 to \$2.2 million. The reduction in product manufacturing and operations includes the ongoing benefit of consolidating distilling production at our Cambridge site. Advertising and marketing costs increased versus the Q3FY23, reflecting a marketing plan weighted to H2 including alignment of direct export sales with tailored brand activity to drive depletions and brand awareness.

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

Cash at bank at 31 March 2024 of \$4.0 million, down \$1.5 million from \$5.5 million last quarter, with a \$15 million undrawn committed bank facility available.

About Lark Distilling Co:

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed 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, Chinotto Citrus Cask 44% ABV, and Tasmanian Peated 46% ABV, with coveted pinnacle expressions released through The Rare & Remarkable Collection. Symphony No.1 40.2% ABV is a unique blended-malt whisky, while the distillery also handcrafts a range of award winning Forty Spotted Gins, with native Tasmanian pepper berry, citrus and juniper, a refreshing take on gin, from the bottom of the world.

LARK is locally and internationally recognised for its quality, innovation, and people; awarded numerous prestigious accolades over the past three decades. Most recently at the World Whiskies Awards held in London in March 2024, LARK was crowned Australia's Best Single Malt for its Fresh IPA Cask, as well Australia's Best Blended Malt with Symphony No.1, for the third consecutive year.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", 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". LARK also received the acclaimed Master Medal, in the 2023 World Whisky Masters for its innovative Chinotto II Cask Strength Single Malt, alongside a further seven gold medals across the portfolio.

LARK can be enjoyed at the iconic Hobart Cellar Door, at the neighbouring Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. The immersive LARK Distillery Tour set at the historic Pontville Distillery is the brand's ultimate adventure into distilling, available seven days. 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.

For more information contact:

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

Appendix 4C

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

Name of entity

Lark Distilling Co. Ltd

ABN

62 104 600 544

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,321	14,949
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,186)	(6,447)
(c) advertising and marketing	(804)	(1,606)
(d) leased assets	(5)	(15)
(e) staff costs	(2,156)	(6,552)
(f) administration and corporate costs	(905)	(2,689)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	39
1.5 Interest and other costs of finance paid	(55)	(173)
1.6 Income taxes/GST paid	(42)	(435)
1.7 Government grants and tax incentives	444	444
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,378)	(2,485)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(70)	(379)
(d) investments	-	-
(e) intellectual property	(9)	(104)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	37	37
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(42)	(446)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
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)	(64)	(188)
3.10	Net cash from / (used in) financing activities	(64)	(188)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,525	7,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,378)	(2,485)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42)	(446)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(64)	(188)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,041	4,041

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	4,041	5,525
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,041	5,525

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	54
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,378)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,041
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)	19,041
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	13.8
	<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: 30 April 2024

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.