

June 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 30 June 2024 (Q4FY24 or Q4) and Appendix 4C.

Q4FY24 Highlights:

- Net Sales for Q4FY24 were in line with the market update from 12 June 2024.
- Q4FY24 Net Sales revenue was \$3.3 million and \$14.0 million for FY24, down \$0.7 million and \$3.1m respectively compared to the pcg and FY23. Sales for quarter were impacted by the known slowdown in the Chinese Indirect Export channel, soft trading conditions in domestic B2B market, and Lark hospitality venues, partially offset by stronger Direct Export, Global Travel Retail and Ecommerce sales
- Direct export sales in Q4FY24 were \$0.3m through initial shipments to new launch markets of Malaysia & Philippines, with total H2 direct export sales to new Asian markets under Distribution Agreements of \$0.9m.
- Lark’s Global Travel Retail presence continues to grow in key Australian airports, with Net Sales of \$0.3m in Q4, and \$1.1m for FY24.
- Lark’s Ecommerce channel saw strong growth in the quarter through channel exclusive Single Cask Program as well as strong Dark Lark sales, with the channel returning to growth on a full year basis. Personalised Classic Cask via the Ecommerce channel continued to perform strongly, contributing to Core Lark Single Malt Signature collection Net Sales growth of 11% in domestic channels, despite ongoing soft trading conditions.
- Australia’s leading independent spirits distributor, Spirits Platform, appointed as Lark’s domestic distribution partner – commencing 1 August 2024.
- Net operating activity cash outflows were \$1.4 million for the quarter, including a \$0.3 million Tasmanian Government Tourism Grant. Continued focus on capital discipline delivered an improvement in full year operating cashflows – ex Government Grants, of +\$1.2 million for FY24.
- Whisky Bank of 2.5 million litres at 30 June 2024 provides flexibility in the stock model to support future growth (31 March 2024: 2.4 million litres).
- Cash balance of \$2.4 million at 30 June 2024, with \$15 million undrawn committed bank facility available.

Lark CEO Sash Sharma added:

“The fourth quarter was an important quarter for Lark, we achieved a number of important milestones for both our domestic and export businesses.

Operationally our Q4 sales of \$3.3 million were in-line with our market update from 12 June 2024. Our direct export sales for Q4 and H2, were \$0.3 million and \$0.9 million respectively, with H2 sales offsetting more than half the shortfall in Chinese Indirect Export Channel of \$1.6 million from H2FY23.

Additionally, for our direct export business, stock has now cleared customs in all four markets, with a planned re-order from Indonesia shipped in Q1FY25. We have launch events planned for Singapore and Indonesia in Q1FY25, where the focus is to build awareness both with trade and direct consumers as well as increase distribution. The performance of our nascent GTR business was another highlight for FY24, achieving sales of \$1.1 million. Domestically, transition work is progressing well in advance of the exciting ‘go-live’ on 1st August with our new domestic distribution partner, Spirits Platform. The Spirits Platform team are working closely, and very well with our existing Lark team to ensure a smooth handover.

In line with our strategic priority to build long term brand value, work has commenced on our Brand & Portfolio restage, we have appointed LOVE, a high-quality global creative agency, experienced in the Luxury alcohol space. This exciting workstream will support our global expansion ambitions, positioning Tasmania as the epicentre of new world whisky, with Lark as the differentiated leader.

Finally, in relation to our Bothwell Distillery, we appointed a Sales Agent in July, with a sales and marketing campaign planned to commence in Spring."

June 2024 Quarter Cashflow Highlights

Net operating activity cash outflows were \$1.4 million for the quarter, flat with the prior quarter.

Operating activity inflows through customer receipts totalled \$4.3 million, flat to the prior quarter and down \$1 million versus Q4FY23 of \$5.3 million, largely reflecting the slowdown of indirect export channel vs pcip.

Payments for product manufacturing and operating costs continued the year-to-date savings trend, down \$0.6 million versus Q4FY23 to \$1.7 million. This was driven by the reduction in product manufacturing and operations, and includes the ongoing benefit of consolidating distilling production at our Cambridge site.

Advertising and marketing costs increased versus the Q4FY23, reflecting a marketing plan weighted to H2 including alignment of direct export sales with tailored brand activity to drive depletions and brand awareness. Additionally, advertising and market costs reflect domestic spend against DARK LARK, and work starting on the portfolio restage to drive future scalability of the brand in both Australia and Export markets.

A payment was received in the quarter of \$0.3m from the Tasmanian Department of State Growth under the Tourism Innovation Grant to facilitate enhancing the visitor experience at Lark's Pontville site.

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

Cash at bank at 30 June 2024 of \$2.4 million, down \$1.7 million from the March 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", 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". 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")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,284	19,233
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,669)	(8,116)
(c) advertising and marketing	(1,487)	(3,093)
(d) leased assets	-	(15)
(e) staff costs	(1,889)	(8,441)
(f) administration and corporate costs	(963)	(3,652)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	43
1.5 Interest and other costs of finance paid	(52)	(225)
1.6 Income taxes/GST paid	36	(399)
1.7 Government grants and tax incentives	300	744
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,436)	(3,921)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(57)	(436)
(d) investments	-	-
(e) intellectual property	(33)	(137)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	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	(90)	(536)

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)	(160)	(348)
3.10	Net cash from / (used in) financing activities	(160)	(348)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,041	7,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,436)	(3,921)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(90)	(536)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(160)	(348)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,355	2,355

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	2,355	4,041
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)	2,355	4,041

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	111
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). In February 2024 the facility was extended until January 2028.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,436)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,355
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)	17,355
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	12.1
	<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: 29 July 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.