

Lark Distilling Co. Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	Lark Distilling Co. Ltd
ABN:	62 104 600 544
Reporting period:	For the half-year ended 31 December 2024
Previous period:	For the half-year ended 31 December 2023

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	5.5% to	8,531,699
Loss from ordinary activities after tax attributable to the Owners of Lark Distilling Co. Ltd	up	49.7% to	(2,415,575)
Loss for the half-year attributable to the Owners of Lark Distilling Co. Ltd	up	49.7% to	(2,415,575)

	Consolidated	
	31 December 2024	31 December 2023
Basic earnings / (loss) per share	(2.81)	(2.14)
Diluted earnings / (loss) per share	(2.81)	(2.14)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$2,415,575 (31 December 2023: \$1,613,167).

3. Net tangible assets

	31 December 2024 Cents	31 December 2023 Cents
Net tangible assets per ordinary security	<u>96.39</u>	<u>101.80</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

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Previous period

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

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 a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Lark Distilling Co. Ltd for the half-year ended 31 December 2024 is attached.

11. Signed



Signed _____

Date: 24 February 2025

Domenic Panaccio
Chair

Lark Distilling Co. Ltd

ABN 62 104 600 544

Interim Report - 31 December 2024

Lark Distilling Co. Ltd
Corporate directory
31 December 2024

Directors	Mr Domenic Panaccio - Non-Executive Chair Mr David Dearie - Non-Executive Director Ms Laura McBain - Non-Executive Director - resigned Non-Executive Director on 1 October 2024 Mr Stuart Gregor - Non-Executive Director - appointed Non-Executive Director on 1 October 2024 Mr Warren Randall - Non-Executive Director
Chief Executive Officer	Mr Satya Sharma
Company Secretary	Ms Melanie Leydin Mr Michael Sapountzis - appointed on 21 November 2024
Registered office and Principal place of business	Level 1, 91-93 Macquarie Street Hobart TAS 7000
Auditor	RSM Australia Partners Level 27, 120 Collins Street Melbourne, VIC 3000
Stock exchange listing	Lark Distilling Co. Ltd shares are listed on the Australian Securities Exchange (ASX code: LRK)

Lark Distilling Co. Ltd
Directors' report
31 December 2024

Directors

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 half-year ended 31 December 2024.

The following persons were Directors of Lark Distilling Co. Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Domenic Panaccio - Non-Executive Chair
Mr David Dearie - Non-Executive Director
Ms Laura McBain - Non-Executive Director - resigned Non-Executive Director on 1 October 2024
Mr Stuart Gregor - Non-Executive Director - appointed Non-Executive Director on 1 October 2024
Mr Warren Randall - Non-Executive Director

Principal activities

The principal activities of the Group during the half year ended 31 December 2024 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 half-year.

Review of operations

Lark Distilling Co Ltd is a Tasmanian-based distiller and marketer of premium and luxury Australian spirits. The Group's flagship Lark Single Malt Whisky played a pivotal role in establishing the Tasmanian Whisky category, having been founded by Bill and Lyn Lark in 1992 as the first licensed distillery in the state in 154 years. In addition to malt whisky, the Group handcrafts a range of award-winning Tasmanian gins under the Forty Spotted trademark.

The Group has strategically invested in developing a 'Whisky Bank' of maturing inventory in barrel, stored across multiple sites in Tasmania. This provides a strong foundation for future growth in both domestic and international markets. With expertise spanning development, production, and marketing, the Group operates distilling assets across three key sites in Tasmania.

Beyond business-to-business sales, the Group engages consumers directly through its cellar door hospitality venues in Tasmania and an owned e-commerce platform servicing the Australian market.

Operational Highlights

Market & Channel Expansion:

Growing Lark in international markets through a sustainable direct export business with in-market distributors remains a key strategic priority. FY24 marked the establishment of the Group's first distribution agreements in Asia, with Singapore, Indonesia, Malaysia, and the Philippines onboarded. In FY25, the focus has been on driving brand awareness, expanding distribution, and increasing reorder momentum in these markets. In H1 FY25, direct export sales of \$0.5 million were achieved through replenishment orders from Indonesia, Singapore, and the Philippines.

Transition in Domestic Sales Model & Organisational Changes:

On 1 August 2024, the Group transitioned its domestic B2B route-to-market to Spirits Platform, Australia's leading independent spirits distributor. This shift resulted in the removal of internal sales roles and an expansion of market reach through Spirits Platform's significantly larger sales team. While the distributor margin is now incorporated into Lark's selling price, cost savings from role reductions have more than offset this impact.

This transition also impacted statutory revenue and cost of sales, as excise duties are now collected and paid by Spirits Platform rather than Lark. Consequently, for these sales, excise is no longer included in statutory revenue, with a corresponding reduction in cost of sales.

Brand Investment:

Investment in marketing expenses increased to \$2.2 million, 27% of Net Sales in HY25, up \$1.1 million vs. pcp. The increase reflects the strategic investment in the Lark Brand restage as well as enhanced brand activity, including increased e-commerce direct-to-consumer (DTC) advertising during the successful Christmas gifting period. The Lark brand restage remains on track for completion in late FY25, supporting future commercial expansion.

Production Operations:

Lark maintains a high-quality 'Whisky Bank,' with 2.5 million litres of inventory under maturation at 43% ABV (FY24: 2.5

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million litres). This inventory underpins the Group's future growth ambitions and provides operational flexibility to optimise short- to medium-term production and working capital requirements.

Development of the Pontville site is progressing as it transitions into the primary Lark production facility and long-term brand home. Key equipment and processes are being transferred from Cambridge to ensure continuity of the Lark house style while increasing production capacity at Pontville. Once complete, this facility will house distilling, coopering, whisky maturation, blending and finishing, bottling, tourism, and back-office operations on a single site.

Capital & Debt:

In July 2024, the Group announced a strategic partnership with Seppeltsfield Wines Pty Ltd, an entity associated with non-executive director Warren Randall, alongside a successful equity raising. The placement generated \$24.4 million net of transaction costs, providing balance sheet flexibility to invest in brand development and facilities to accelerate export growth.

In February 2024, the Group secured an extension of its committed bank facility with National Australia Bank, now maturing in January 2028. Following the capital raise, the facility was reduced to \$5 million in October 2024 and remains undrawn, with the Group operating debt-free throughout the year.

Financial Highlights

- Revenue from ordinary activities for the half-year ended 31 December 2024 was \$8.5 million, reflecting the reduction of excise within statutory revenue following the domestic sales model transition.
- Net Sales (revenue after excise) for the half-year was \$7.9 million, up 7% versus last year.
- Direct Export Net Sales of \$0.5 million were supported by replenishment orders from Indonesia, Singapore, and the Philippines.
- Internally managed DTC channels delivered strong growth, with Net Sales increasing by \$0.6 million, driven by robust performance in both Lark's e-commerce platform and hospitality venues.
- Domestic B2B Net Sales declined by \$0.4 million due to the distributor margin now being included in the Group's selling price; however, this impact was fully offset by cost savings from the removal of the internal sales team in Q1.
- As anticipated, the shift to a distributor-led sales model in both domestic and export markets contributed to a decline in gross profit margins (as a % of Net Sales), decreasing by 2.5pp to 63.6% for the half year.

	31 Dec 2024	31 Dec 2023	Movement	Movement
	\$	\$	\$	%
Gross Sales	8,531,699	9,030,175	(498,476)	(6%)
Excise	(651,425)	(1,643,871)	992,446	(60%)
Net Sales (after Excise)	7,880,274	7,386,304	493,970	7%
Cost of sales (after Excise)	(2,871,461)	(2,509,861)	(361,600)	14%
Gross Profit	5,008,813	4,876,443	132,370	3%
Gross Profit % Net Sales	63.6%	66.0%		(2.5pp)

Financial Position

- The successful placement in July 2024 raised \$24.4 million net of transaction costs. The Group ended the half-year with a cash balance of \$16.6 million and an additional \$7 million held in a cash term deposit.
- Trade receivables were impacted by the transition to a distributor-based sales model, altering order patterns and payment terms. Consequently, seasonal increases in Q2 receipts from Christmas sales were deferred into Q3, with \$0.9 million collected in early January upon receivables becoming due.

Business Strategies

The Group's ambition of positioning Lark as a leader in New World Whisky remains underpinned by the following strategic priorities:

- **Long-Term Brand Value:** Establishing Lark as a globally recognized and differentiated luxury whisky brand.
- **International Sales Momentum & Domestic Leadership:** Creating repeatable and diversified revenue streams across domestic and export markets.
- **Cash & Capital Discipline:** Prioritising cash generation to support growth while exercising capital discipline.

Lark Distilling Co. Ltd
Directors' report
31 December 2024

The Group continues to execute against these priorities, with the Lark brand restage supporting future export expansion and Whisky Bank commercialisation. Marketing efforts will focus on brand awareness in new markets and channels while embedding the new domestic sales model.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2024 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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Domenic Panaccio
Chair

24 February 2025

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Lark Distilling Co. Ltd. and its controlled entities for the half year ended 31 December 2024, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to be "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be "BY CHAN".

B Y CHAN
Partner

Dated: 24 February 2025
Melbourne, Victoria

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Lark Distilling Co. Ltd

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Lark Distilling Co. Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

		Consolidated	
	Note	31 December 2024	31 December 2023
		\$	\$
Revenue			
Sales revenue		8,531,699	9,030,175
Cost of sales		<u>(3,522,886)</u>	<u>(4,153,732)</u>
Gross profit		<u>5,008,813</u>	<u>4,876,443</u>
Other income	4	875,520	829,634
Expenses			
Marketing expenses		(2,158,759)	(1,002,351)
Administration and operating expenses		(1,983,691)	(1,813,482)
Employee benefits expense		(2,912,982)	(3,302,142)
Share based payments		(1,117,393)	(677,725)
Depreciation and amortisation		<u>(537,492)</u>	<u>(543,826)</u>
Loss before tax and finance costs		(2,825,984)	(1,633,449)
Finance costs		(118,535)	(124,863)
Finance income		<u>323,827</u>	<u>28,485</u>
Loss before income tax benefit		(2,620,692)	(1,729,827)
Income tax benefit		<u>205,117</u>	<u>116,660</u>
Loss after income tax benefit for the half-year attributable to the owners of Lark Distilling Co. Ltd		(2,415,575)	(1,613,167)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Lark Distilling Co. Ltd		<u>(2,415,575)</u>	<u>(1,613,167)</u>
		Cents	Cents
Basic earnings per share	16	(2.81)	(2.14)
Diluted earnings per share	16	(2.81)	(2.14)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Lark Distilling Co. Ltd
Statement of financial position
As at 31 December 2024

		Consolidated	
	Note	31 December 2024	30 June 2024
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	16,565,831	2,355,162
Short-term investments	7	7,000,000	-
Trade and other receivables	5	2,069,350	1,095,995
Inventories	8	14,059,224	14,773,179
Prepaid assets		509,822	97,287
Assets held for sale	9	3,961,115	-
Total current assets		<u>44,165,342</u>	<u>18,321,623</u>
Non-current assets			
Inventories	8	50,713,271	49,360,108
Property, plant and equipment	10	10,533,802	14,624,543
Right-of-use assets		1,837,186	2,101,684
Intangibles	11	21,188,087	21,317,037
Deferred tax		5,248,407	4,902,333
Total non-current assets		<u>89,520,753</u>	<u>92,305,705</u>
Total assets		<u>133,686,095</u>	<u>110,627,328</u>
Liabilities			
Current liabilities			
Trade and other payables	12	2,542,240	2,486,518
Lease liabilities		479,830	506,210
Employee benefits		516,821	536,784
Deferred Government grants		3,975,000	3,975,000
Total current liabilities		<u>7,513,891</u>	<u>7,504,512</u>
Non-current liabilities			
Lease liabilities		1,448,865	1,683,946
Employee benefits		98,847	75,942
Total non-current liabilities		<u>1,547,712</u>	<u>1,759,888</u>
Total liabilities		<u>9,061,603</u>	<u>9,264,400</u>
Net assets		<u>124,624,492</u>	<u>101,362,928</u>
Equity			
Issued capital	13	141,045,967	116,486,221
Reserves		5,141,566	4,024,173
Accumulated losses		(21,563,041)	(19,147,466)
Total equity		<u>124,624,492</u>	<u>101,362,928</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Lark Distilling Co. Ltd
Statement of changes in equity
For the half-year ended 31 December 2024

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	116,486,221	2,769,873	(14,579,551)	104,676,543
Loss after income tax benefit for the half-year	-	-	(1,613,167)	(1,613,167)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,613,167)	(1,613,167)
Share-based payments (note 17)	-	677,725	-	677,725
Balance at 31 December 2023	<u>116,486,221</u>	<u>3,447,598</u>	<u>(16,192,718)</u>	<u>103,741,101</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2024	116,486,221	4,024,173	(19,147,466)	101,362,928
Loss after income tax benefit for the half-year	-	-	(2,415,575)	(2,415,575)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,415,575)	(2,415,575)
Contributions of equity, net of transaction costs (note 13)	24,559,746	-	-	24,559,746
Share-based payments (note 17)	-	1,117,393	-	1,117,393
Balance at 31 December 2024	<u>141,045,967</u>	<u>5,141,566</u>	<u>(21,563,041)</u>	<u>124,624,492</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Lark Distilling Co. Ltd
Statement of cash flows
For the half-year ended 31 December 2024

		Consolidated	
	Note	31 December 2024	31 December 2023
		\$	\$
Cash flows from operating activities			
Receipts from customers		8,488,293	10,661,303
Payments to suppliers and employees		(9,409,805)	(8,780,063)
Purchase of inventory		(2,691,440)	(3,317,742)
Interest received		185,365	28,485
Interest and other finance costs paid		(82,147)	(81,639)
Government grants and tax incentives received		880,074	385,175
		<u> </u>	<u> </u>
Net cash used in operating activities		(2,629,660)	(1,104,481)
Cash flows from investing activities			
Payments for term deposits with maturity greater than 3 months	7	(7,000,000)	-
Payments for property, plant and equipment	10	(257,127)	(309,270)
Payments for intangibles	11	(27,710)	(95,701)
Proceeds from disposal of property, plant and equipment		9,900	-
		<u> </u>	<u> </u>
Net cash used in investing activities		(7,274,937)	(404,971)
Cash flows from financing activities			
Proceeds from issue of shares	13	24,982,620	-
Share issue transaction costs	13	(563,831)	-
Repayment of lease liabilities		(303,523)	(125,264)
		<u> </u>	<u> </u>
Net cash from/(used in) financing activities		24,115,266	(125,264)
Net increase/(decrease) in cash and cash equivalents		14,210,669	(1,634,716)
Cash and cash equivalents at the beginning of the financial half-year		<u>2,355,162</u>	<u>7,159,778</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>16,565,831</u></u>	<u><u>5,525,062</u></u>

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 half-year. The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Lark Distilling Co. Limited 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 Australia

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 24 February 2025.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

Note 3. 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 is 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 relates to other functions of the Group that are not directly attributable to the Whisky or Gin segments. Operating segments are therefore split into the three segments: Whisky, Gin and Other.

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.

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 3. Operating segments (continued)

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 review balance sheet information by segment.

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 half year ended 31 December 2024, approximately 28% of the Group's external revenue was derived from sales to one customer (FY24: 28%) with revenue of the Group from direct customers being materially derived from the Australian geographical market.

Operating segment information

Consolidated - 31 December 2024	Whisky \$	Gin \$	Other \$	Total \$
Revenue				
Sales to external customers	6,993,164	1,017,027	521,508	8,531,699
Other income	717,636	104,367	53,517	875,520
Total revenue	<u>7,710,800</u>	<u>1,121,394</u>	<u>575,025</u>	<u>9,407,219</u>
EBITDA	(1,670,152)	(411,601)	(206,739)	(2,288,492)
Interest income	265,431	38,602	19,794	323,827
Finance costs	(97,159)	(14,130)	(7,246)	(118,535)
Depreciation and amortisation	(440,565)	(64,072)	(32,855)	(537,492)
Loss before income tax benefit	<u>(1,942,445)</u>	<u>(451,201)</u>	<u>(227,046)</u>	<u>(2,620,692)</u>
Income tax benefit				205,117
Loss after income tax benefit				<u>(2,415,575)</u>
Consolidated - 31 December 2023	Whisky \$	Gin \$	Other \$	Total \$
Revenue				
Sales to external customers	7,097,453	1,395,333	537,389	9,030,175
Other income	652,068	128,194	49,372	829,634
Total revenue	<u>7,749,521</u>	<u>1,523,527</u>	<u>586,761</u>	<u>9,859,809</u>
EBITDA	(475,508)	(528,850)	(85,265)	(1,089,623)
Interest income	22,389	4,402	1,694	28,485
Finance costs	(98,139)	(19,294)	(7,430)	(124,863)
Depreciation and amortisation	(427,432)	(84,031)	(32,363)	(543,826)
Loss before income tax benefit	<u>(978,690)</u>	<u>(627,773)</u>	<u>(123,364)</u>	<u>(1,729,827)</u>
Income tax benefit				116,660
Loss after income tax benefit				<u>(1,613,167)</u>

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 4. Other income

	Consolidated	
	31 December 2024	31 December 2023
	\$	\$
Excise rebates	350,000	350,000
R&D grant income	522,222	444,459
Other income	7,852	35,175
Gain / loss on sale of fixed assets	(4,554)	-
	<u>875,520</u>	<u>829,634</u>

Note 5. Trade and other receivables

	Consolidated	
	31 December 2024	30 June 2024
	\$	\$
<i>Current assets</i>		
Trade and other receivables	1,933,704	1,080,199
Less: Allowance for expected future credit losses	(45,000)	(45,000)
	<u>1,888,704</u>	<u>1,035,199</u>
Other receivables	180,646	59,352
Deposits paid	-	1,444
	<u>2,069,350</u>	<u>1,095,995</u>

Note 6. Cash and cash equivalents

	Consolidated	
	31 December 2024	30 June 2024
	\$	\$
<i>Current assets</i>		
Cash	10,065,831	2,355,162
Cash on term deposit - 3 months or less	6,500,000	-
	<u>16,565,831</u>	<u>2,355,162</u>

Note 7. Short-term investments

	Consolidated	
	31 December 2024	30 June 2024
	\$	\$
<i>Current assets</i>		
Cash on term deposit - 6 months or less	7,000,000	-
	<u>7,000,000</u>	<u>-</u>

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 8. Inventories

	Consolidated	
	31 December	
	2024	30 June 2024
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	1,410,643	1,726,003
Work in progress - at cost	2,490,254	2,776,449
Finished goods - at cost	2,109,727	2,142,783
Inventory in casks	8,501,755	8,597,877
Provision for obsolescence	(453,155)	(469,933)
	14,059,224	14,773,179
<i>Non-current assets</i>		
Inventory in casks	50,490,054	49,136,891
Finished goods	223,217	223,217
	50,713,271	49,360,108

Note 9. Assets held for sale

	Consolidated	
	31 December	
	2024	30 June 2024
	\$	\$
<i>Current assets</i>		
Land and Buildings	3,259,961	-
Building improvements	98,963	-
Plant and equipment	483,282	-
Intangibles	118,909	-
	3,961,115	-

Assets held for sale

On 19 December 2024, the Board resolved to dispose of a group of assets within the Whisky Cash Generating Unit (CGU) and entered into a sale agreement with a counterparty, subject to the satisfaction of certain conditions. These assets are at the Group's Bothwell site and is in alignment with the Group's long-term strategy to focus its operations on the Pontville production site.

The conditions outlined in the agreement were satisfied on 13 February 2025, and settlement is expected to occur in the current financial year. The assets have been classified as a disposal group held for sale and are presented separately in the Statement of Financial Position.

The agreed sales price for the group of assets is \$4.1 million, with proceeds from the disposal, net of selling costs, expected to exceed the carrying amount of the group of assets, and as such, no impairment losses have been recognised.

Note 10. Property, plant and equipment

	Consolidated	
	31 December	30 June 2024
	2024	2024
	\$	\$
<i>Non-current assets</i>		
Land and buildings - at cost	5,575,000	9,364,644
Less: Impairment	-	(529,683)
	<u>5,575,000</u>	<u>8,834,961</u>
Building improvements - at cost	1,547,346	1,645,955
Less: Accumulated depreciation	(1,173,245)	(956,945)
	<u>374,101</u>	<u>689,010</u>
Plant, equipment & production assets - at cost	5,530,611	6,413,421
Less: Accumulated depreciation	(2,461,930)	(2,632,297)
	<u>3,068,681</u>	<u>3,781,124</u>
Motor vehicles - at cost	94,157	94,157
Less: Accumulated depreciation	(65,902)	(62,522)
	<u>28,255</u>	<u>31,635</u>
Capital work in progress	<u>1,487,765</u>	<u>1,287,813</u>
	<u><u>10,533,802</u></u>	<u><u>14,624,543</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and buildings	Building improvements	Plant machinery and production assets	Motor vehicles	Capital WIP	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2024	8,834,961	689,010	3,781,124	31,635	1,287,813	14,624,543
Additions	-	8,296	48,879	-	199,952	257,127
Classified as held for sale (note 9)	(3,259,961)	(98,963)	(483,282)	-	-	(3,842,206)
Disposals	-	-	(13,554)	-	-	(13,554)
Depreciation capitalised to inventory	-	-	(99,060)	(162)	-	(99,222)
Depreciation expense	-	(224,242)	(165,426)	(3,218)	-	(392,886)
Balance at 31 December 2024	<u>5,575,000</u>	<u>374,101</u>	<u>3,068,681</u>	<u>28,255</u>	<u>1,487,765</u>	<u>10,533,802</u>

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 11. Intangibles

	Consolidated	
	31 December	30 June 2024
	2024	2024
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	20,735,100	20,735,100
Intangible assets - at cost	785,531	876,730
Less: Accumulated amortisation	(332,544)	(294,793)
	<u>452,987</u>	<u>581,937</u>
	<u><u>21,188,087</u></u>	<u><u>21,317,037</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill	Other	Total
	\$	intangibles	\$
		\$	\$
Balance at 1 July 2024	20,735,100	581,937	21,317,037
Additions	-	27,710	27,710
Classified as held for sale (note 9)	-	(118,909)	(118,909)
Amortisation expense	-	(37,751)	(37,751)
Balance at 31 December 2024	<u><u>20,735,100</u></u>	<u><u>452,987</u></u>	<u><u>21,188,087</u></u>

Note 12. Trade and other payables

	Consolidated	
	31 December	30 June 2024
	2024	2024
	\$	\$
<i>Current liabilities</i>		
Trade and other payables	1,189,205	1,136,664
Sundry creditors and accrued expenses	1,353,035	1,349,854
	<u>2,542,240</u>	<u>2,486,518</u>

Note 13. Issued capital

	Consolidated			
	31 December	30 June 2024	31 December	30 June 2024
	2024	2024	2024	2024
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>105,399,362</u>	<u>75,743,044</u>	<u>141,045,967</u>	<u>116,486,221</u>

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 13. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2024	75,743,044		116,486,221
Placement of shares	2 August 2024	7,647,059	\$0.85000	6,500,000
Share purchase plan	27 August 2024	4,117,647	\$0.85000	3,500,000
Performance rights	2 September 2024	35,000	\$0.00000	-
Placement of shares to related parties	6 September 2024	17,626,612	\$0.85000	14,982,620
Issue of shares	7 November 2024	140,000	\$0.00000	-
Issue of shares	28 November 2024	90,000	\$0.00000	-
Transaction costs for the period		-	\$0.00000	(563,831)
Tax related movement in equity		-	\$0.00000	140,957
Balance	31 December 2024	<u>105,399,362</u>		<u>141,045,967</u>

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.

Note 14. Related party transactions

During the period, the Group made purchases amounting to \$458 (31 December 2023: \$48,281) from an entity associated with Warren Randall (Non-Executive Director). These transactions were for the purchase of casks and inventory for Lark hospitality venues from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282).

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 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 16. Earnings per share

	Consolidated	
	31 December 2024	31 December 2023
	\$	\$
Loss after income tax attributable to the owners of Lark Distilling Co. Ltd	<u>(2,415,575)</u>	<u>(1,613,167)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>85,970,294</u>	<u>75,436,566</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>85,970,294</u>	<u>75,436,566</u>
	Cents	Cents
Basic earnings per share	(2.81)	(2.14)
Diluted earnings per share	(2.81)	(2.14)

Note 17. Share-based payments

Employee incentive plan

A Share option 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 to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance established by the Nomination and Remuneration Committee.

The valuations of Options and Performance Rights issued under the Plan are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued. Set out below are summaries of Performance Rights granted, exercised and expired / forfeited under the Plan and their vesting conditions:

Tranche Name	Expiry	Target Market Share Price	Service Condition
FY20 H1 - Tranche 3	31/12/2026	1.95	31/12/2022
FY20 H1 - Tranche 4	31/12/2026	2.25	31/12/2023
FY20 H1 - Tranche 5	31/12/2026	2.55	31/12/2024
FY20 H2 - Tranche 3	31/12/2026	1.95	31/12/2022
FY20 H2 - Tranche 4	31/12/2026	2.25	31/12/2023
FY20 H2 - Tranche 5	31/12/2026	2.55	31/12/2024
FY21 H2 - Tranche 3	31/12/2026	1.95	31/12/2022
FY21 H2 - Tranche 4	31/12/2026	2.25	31/12/2023
FY21 H2 - Tranche 5	31/12/2026	2.55	31/12/2024
FY23 H2 - Tranche 1	1/07/2025	N/A	30/06/2025
FY23 H2 - Tranche 2	1/07/2025	3.81	30/06/2025
FY23 CEO Sign-On	1/05/2026	N/A	1/05/2024
FY23 CEO LTI	1/05/2026	Refer below*	
FY24 H2 - Tranche 1	30/06/2030	N/A	30/06/2025
FY24 H2 - Tranche 2	30/06/2030	1.80	30/06/2025
FY24 H2 - Tranche 3	30/06/2031	2.10	30/06/2026
FY24 H2 - Tranche 4	30/06/2032	2.40	30/06/2027
FY24 H2 - Tranche 5	30/06/2033	2.70	30/06/2028
FY25 H1 - Tranche 1	8/05/2031		7/05/2026

****May 23 CEO LTI vesting condition***

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. 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. The table below provide further detail of how Mr Sharma's entitlement is to be determined.

Target marketing 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.

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 17. Share-based payments (continued)

May 24 LTI vesting conditions

In May 2024, the Company issued 6,409,167 Performance Rights to employees and key management personal which will vest and be exercisable upon satisfaction of service condition and performance conditions agreed as part of the LTI. If the share price hurdle for Year 4 and/or Year 5 is satisfied in Year 3, the vesting of Performance Rights for Year 4 and/or Year 5 (as applicable) will be accelerated and vest together with those Year 3 Performance Rights.

In the event of a Corporate Control Event (as defined under clause 2 of the Company's Plan) during any of the specified continued employment periods set out in the table above, the following basis for vesting will instead apply to the Performance Rights in Tranches 2 - 5:

(a) 40% of the issued Rights will vest immediately; and

(b) if the Corporate Control Event:

(i) Occurs on or before 31 December 2026, then a pro-rata amount of the remaining 60% of the issued Rights, based on the number of days elapsed from 1 January 2024 to the date of the Corporate Control Event, as a proportion of the total number of days from 1 January 2024 to 31 December 2026, will vest on the date of the Corporate Control Event; or

(ii) Occurs on or after 31 December 2026, and before the Last Exercise Date of those Rights, then all such remaining and outstanding Rights will vest at the date of the Corporate Control Event.

31 December 2024

Tranche Name	Balance at start of year	Granted during period	Exercised/ Converted	Expired/ other changes	Balance at end of year
FY20 H1 - Tranche 3	70,000	-	-	-	70,000
FY20 H1 - Tranche 4	100,000	-	-	-	100,000
FY20 H1 - Tranche 5	550,000	-	-	-	550,000
FY20 H2 - Tranche 3	22,000	-	-	-	22,000
FY20 H2 - Tranche 4	90,000	-	(35,000)	-	55,000
FY20 H2 - Tranche 5	105,000	-	-	-	105,000
FY21 H2 - Tranche 4	80,000	-	-	-	80,000
FY21 H2 - Tranche 5	205,000	-	-	(40,000)	165,000
FY23 H2 - Tranche 1	39,652	-	-	(4,196)	35,456
FY23 H2 - Tranche 2	158,598	-	-	(16,783)	141,815
FY23 CEO Sign-On	343,357	-	-	-	343,357
FY23 CEO LTI	197,280	-	-	-	197,280
FY24 H2 - Tranche 1	45,633	11,000	-	-	56,633
FY24 H2 - Tranche 2	1,106,225	50,000	-	-	1,156,225
FY24 H2 - Tranche 3	1,463,989	65,000	-	-	1,528,989
FY24 H2 - Tranche 4	1,738,220	85,000	-	-	1,823,220
FY24 H2 - Tranche 5	2,055,100	-	-	-	2,055,100
FY25 H1 - Tranche 1	-	182,333	-	-	182,333
	<u>8,370,054</u>	<u>393,333</u>	<u>(35,000)</u>	<u>(60,979)</u>	<u>8,667,408</u>

Lark Distilling Co. Ltd
Notes to the financial statements
31 December 2024

Note 17. Share-based payments (continued)

31 December 2023

Tranche Name	Balance at start of year	Granted during period	Exercised/Converted	Expired/other changes	Balance at end of year
FY20 H1 - Tranche 3	70,000	-	-	-	70,000
FY20 H1 - Tranche 4	300,000	-	-	-	300,000
FY20 H1 - Tranche 5	550,000	-	-	-	550,000
FY20 H2 - Tranche 3	30,000	-	(8,000)	-	22,000
FY20 H2 - Tranche 4	90,000	-	-	-	90,000
FY20 H2 - Tranche 5	105,000	-	-	-	105,000
FY21 H2 - Tranche 3	10,000	-	(10,000)	-	-
FY21 H2 - Tranche 4	175,000	-	-	-	175,000
FY21 H2 - Tranche 5	205,000	-	-	-	205,000
FY23 H2 - Tranche 1	39,652	-	-	-	39,652
FY23 H2 - Tranche 2	158,598	-	-	-	158,598
FY23 CEO Sign-On	343,357	-	-	-	343,357
FY23 CEO LTI	197,280	-	-	-	197,280
	<u>2,273,887</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>2,255,887</u>

The weighted average remaining contractual life of performance rights outstanding as the end of the financial half-year was 6.00 years (December 2023: 2.71 years).

Lark Distilling Co. Ltd
Directors' declaration
31 December 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Domenic Panaccio
Chair

24 February 2025

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Lark Distilling Co. Ltd.

Conclusion

We have reviewed the accompanying half-year financial report of Lark Distilling Co. Ltd. ("Company") and its controlled entities ("Group") which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policies and other explanatory information, and the directors' declaration of the Group at the half-year end.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lark Distilling Co. Ltd. is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 Lark Distilling Co. Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Lark Distilling Co. Ltd are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



RSM AUSTRALIA PARTNERS



B Y CHAN
Partner

Dated: 24 February 2025
Melbourne, Victoria