



## Top Shelf International Holdings Ltd

**Principal Place of Business:**  
16-18 National Boulevard  
Campbellfield  
Victoria  
Australia 3061

30 January 2023

### ASX ANNOUNCEMENT (ASX:TSI) - FY23 Q2 QUATERLY REPORT AND APPENDIX 4C

Top Shelf International Holdings Limited (“Top Shelf” or “the Company”), Australia’s leading premium spirits company, provides an update for the second quarter and first half of FY23 in accordance with ASX listing rule 4.7C.

#### Highlights

**Group revenue:**  
LTM Dec-22: \$29.9m

**Brand revenue:**  
FY23 1H: \$14.2m  
Growth on pcg: 208%

**Cash gross margin:**  
FY23 1H: 28.8%

**Cash receipts:**  
FY23 1H: \$17.9m

**Business investment:**  
FY23 1H: \$8.1m

**Available funding:**  
Dec-22: \$16.7m

**Whisky assets:**  
\$40m

**Agave assets:**  
\$25m

**Packaging assets:**  
\$13m

Asset value note: <sup>1</sup>

Top Shelf’s Chief Executive Drew Fairchild said “Brand revenue growth continued to accelerate with an increase of 208% for FY 23 1H versus the pcg. Group revenue growth, including third party contract packaging, increased by 95% for FY 23 1H versus the pcg.

“We continued to see great progress in the application of our Australian Spirits Platform. Building and activating the NED Whisky and Grainshaker Vodka brands and the premiumisation and expansion of our portfolio, drove growth in distribution and increased velocity.

“The Company continues to realise the benefit of improved operating leverage with the increase in scale.

- the Company delivered a breakeven result in FY23 1H to the operating contribution line (before brand and business investments, and support costs)
- operating costs relative to revenue declined from 66% in FY22 1H to 47% in FY23 1H
- the accounting cost of whisky harvested in FY23 1H (\$7.60 per litre of alcohol (LAL)) contrasts with current whisky cash production cost (\$5.15 per LAL)

<sup>1</sup> Whisky assets: the Company’s brewing, distilling and maturation assets at book value and the future realisable margin of 2.1 million litres (@ 43% ABV) of whisky under maturation at 31 December 2022. Agave assets: the biological and land asset book value and the capital expenditure to date of Top Shelf’s agave distillery project. Packaging assets: canning and bottling line and supporting infrastructure asset book value.

*“Improved operating leverage will continue to be realised in the reduction in cost of sales. The bottling of NED given the need to keep up with demand can now be fully automated and we can move to local supply of glass for Grainshaker as thresholds for minimum order quantities have been surpassed.*

*“Further leveraging our invested asset capacity and capability with strategic partners, whilst we continue to build our brands and enabling the Company to optimise marginal production costs of its brands.*

*“The Company is currently in advanced negotiations with a multinational beverage producer to provide contract packaging services for a limited number of products over a two-year period, a timeframe that aligns with the continued scaling of our brands. Production is currently planned for mid-February.*

*“Covering our fixed production costs across canning, bottling and distillation and maintaining our existing sales and marketing capability, whilst continuing to grow our branded revenue base and the Agave brand to market, delivers positive operating contribution.*

*“The Company’s investment in marketing in support of the brands will continue, however contracts for key activations and sponsorships have expired and will be reviewed. Sponsorship costs for the Australian Open have been recognised in FY23 1H.*

*“As we grow the business, realise operating leverage and manage our cost base, the Company continues to make progress towards its objective of delivering a positive EBITDA before investment in marketing.*

*“The Australian Agave project is also on track from an agronomy, harvest, distillation, product and brand viewpoint and the team is well advanced in plans to execute our market entry strategy both domestically and internationally. The Company has now significantly de-risked this project.*

*“The carrying value of Australian Agave is anticipated to increase from \$25.0m to \$35.0m with the completion of this project by the end of FY23. The Company is actively pursuing opportunities to realise the intrinsic value and monetise the investment in Australian Agave, including off balance sheet funding discussions. This is envisaged to provide the Company with capital options.”*

**This FY23 Q2 quarterly report and Appendix 4C should be read in conjunction with the Company’s ASX announcement “FY23 Q2 and 1H business performance update” dated 30 January 2023.**

## **Revenue**

Brand pro forma<sup>2</sup> unaudited revenue was **\$9.0 million** in FY23 Q2. The Q2 branded revenue result contributed to FY23 1H brand pro forma revenue of **\$14.2 million** reflecting growth above FY22 1H of **208%**.

Branded revenue reflected the strong performance of NED Australian Whisky and Grainshaker Australian Vodka across Top Shelf’s core channels – national independent wholesale, national retail with Coles Liquor Group and direct on premise and festival customers.

Distribution points grew by 60% in FY23 1H underpinned by portfolio expansion and independent retail distribution. Patronage at festivals and outdoor events where NED Whisky and / or Grainshaker Vodka have been exclusive category suppliers has exceeded 1.4 million people - excluding the Australian Open 2023 with more festivals to come.

Leveraging our invested asset capacity across canning, bottling and distillation, as we build our brand portfolio, has always been a key objective for the Company. These opportunities also ‘present’ in terms of agave and whisky production capacity. Simplifying our business and working with strategic partners is a key element of this objective.

The Company is currently in advanced negotiations with a multinational beverage producer to provide contract packaging services for a select number of products over a two-year period, a timeframe that aligns with the scaling of our brands. Production is currently planned for mid-February. Creating production capacity and simplifying the number of customers and products we produce to accommodate this opportunity has been a key enabler for the Company.

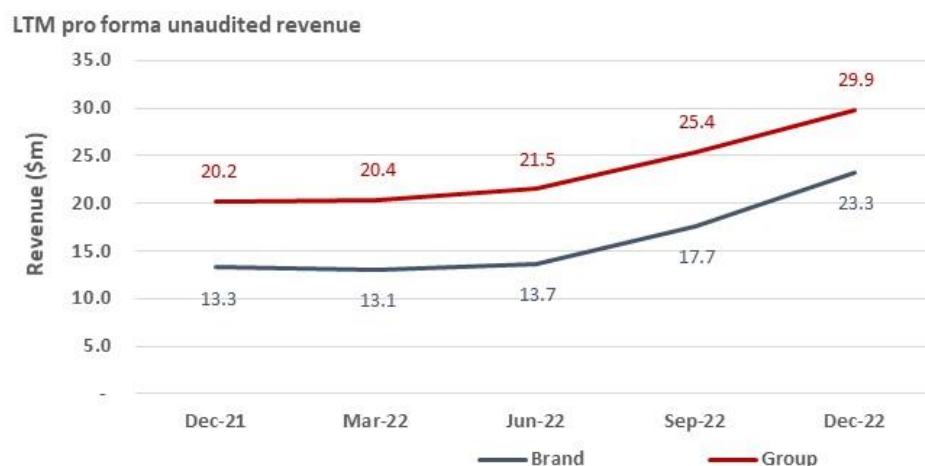
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<sup>2</sup> A reconciliation of statutory to pro forma revenue has been set out in Appendix 1. A pro forma adjustment to brand revenue discloses Coles Liquor Group revenue on a gross excise basis for consistency with all other domestic channels.

Third party contract packaging unaudited revenue of \$1.4 million in FY23 Q2 contributed to FY23 1H contract packaging revenue of **\$2.9 million**<sup>3</sup>. The 1H revenue result did represent a reduction from FY22 1H of 30%. However, during FY23 1H, throughput of the Company's beverage packaging assets at its Campbellfield production site reduced only 6% relative to the comparative period reflecting the offsetting increase in brand volume throughput.

The Company's last twelve month (LTM) pro forma unaudited revenue profile to December 2022 is illustrated in the chart below:

Chart 1: Pro forma unaudited revenue profile



### Summarised FY23 1H profit or loss to and performance metrics

The Company's unaudited summarised profit or loss to EBITDA and performance metrics, presented on a normalised basis, for FY23 1H are set out in Table 1.

Table 1: FY23 1H profit or loss and performance metrics

\$ million	FY22 1H	FY22 2H	FY23 1H		FY23 Q1	FY23 Q2
Revenue <sup>4</sup>	8.8	11.4	14.7		5.7	9.0
<b>Gross margin</b>	<b>2.4</b>	<b>3.1</b>	<b>3.5</b>		<b>1.2</b>	<b>2.2</b>
Fair value gain on agave plants	3.1	3.2	3.1		1.5	1.6
Variable contribution margin	4.9	5.8	6.0		2.6	3.4
<b>Operating contribution</b>	<b>(1.0)</b>	<b>(1.2)</b>	<b>(0.1)</b>		<b>(0.2)</b>	<b>0.1</b>
Brand and business investment	(2.7)	(3.4)	(4.5)		(1.7)	(2.8)
<b>Contribution margin</b>	<b>(3.7)</b>	<b>(4.6)</b>	<b>(4.6)</b>		<b>(1.9)</b>	<b>(2.7)</b>
Group support	(3.3)	(3.2)	(3.7)		(1.7)	(1.9)
<b>Underlying group EBITDA <sup>5</sup></b>	<b>(7.0)</b>	<b>(7.8)</b>	<b>(8.3)</b>		<b>(3.6)</b>	<b>(4.6)</b>
<i>Gross margin – statutory %</i>	<i>27.0%</i>	<i>26.7%</i>	<i>23.6%</i>		<i>21.7%</i>	<i>24.9%</i>
<i>Gross margin – cash % <sup>6</sup></i>	<i>28.9%</i>	<i>29.5%</i>	<i>28.8%</i>		<i>27.5%</i>	<i>29.7%</i>
<i>Gross margin – net excise % <sup>7</sup></i>	<i>38.0%</i>	<i>39.4%</i>	<i>38.8%</i>		<i>32.4%</i>	<i>43.6%</i>
<i>Product COGS – net excise %</i>	<i>62.0%</i>	<i>60.6%</i>	<i>61.2%</i>		<i>67.6%</i>	<i>56.4%</i>

<sup>3</sup> Refer to Appendix 1 for a reconciliation of the presentation of the Company's contract packaging revenue.

<sup>4</sup> A reconciliation of revenue has been provided in Appendix 1.

<sup>5</sup> Underlying EBITDA has been disclosed in this report on a normalised basis exclusive of share based payment expense and non-recurring items.

<sup>6</sup> Gross margin – cash reflects the exclusion of production asset depreciation and whisky liquid cost recognised with the statutory presentation of cost of goods sold. Harvested whisky liquid was recognised in current period NED Whisky product cost of goods sold using a historical production unit cost, whereas the associated production cash cost was recognised as investment in working capital in prior periods. Cash gross margin in the FY22 1H comparative excluded the agave non-fungible token project margin (\$0.3 million).

<sup>7</sup> Gross margin – net excise reflects the calculation of margin relative to revenue net of excise.

Operating leverage % costs above Operating contribution relative to revenue)	70.1%	66.0%	46.7%		53.5%	42.3%
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Top Shelf's cash gross margin of 28.8%, blended across branded and contract packaging activities, reflects a continual focus on margin improvement through a reduction in cost of sales, brand premiumisation and channel strategies.

Cash gross margin excludes production asset depreciation and the historical cost of harvested whisky depleted from inventory as recognised in the Company's statutory presentation of cost of goods sold. The cost of whisky harvested in FY23 1H (\$7.60 per litre of alcohol (LAL)) reflects brewhouse processes dating back to 2020, which contrasts with Top Shelf's current whisky cash production cost (\$5.15 per LAL) that will be available to harvest in the latter stages of 2024 and 2025.

As we grow the business, realise operating leverage and manage our cost base, the Company continues to make progress towards its objective of delivering a positive EBITDA before investment in marketing.

### Business investment

Top Shelf has invested **\$8.1 million** in strategic growth drivers of the business during FY23 1H (Q1: \$3.4 million; Q2: \$4.7 million).

<b>Brand</b> <b>\$4.0m</b>	<b>Whisky</b> <b>\$1.4m</b>	<b>Agave:</b> <b>\$2.7m</b>
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#### Brand:

Building brand awareness and consumer engagement has continued during FY23 1H inclusive of:

- a highly successful regional television campaign for NED Australian Whisky during the AFL and NRL finals and out of home advertising. The regional television and out of home advertising campaigns collectively reflected a target market reach of 9 million people; and
- sponsorships of the Supercars 2022 racing season, Grove Racing, QRL Maroons, the 2023 Australian Open tennis and high profile on-premise venues in Melbourne, Victoria. Crowd attendances across the Supercars events in FY23 1H exceeded one million people while over 500,000 people attending week one of the Australian Open in January 2023.

#### Whisky:

The Company's whisky production and maturation program continued during FY23 1H with 2.1 million litres (@ 43% ABV) of whisky under maturation at 31 December 2022. The Company's whisky assets at 31 December 2022 reflect value in excess of **\$40 million** inclusive of the future margin of whisky under maturation, and the book value of Company's brewing, distilling and maturation assets.

The NED Whisky brand strategy and new product development culminated in November 2022 with the release of the super premium, *NED Green Sash Reserve Australian Whisky* bottled spirit. This premium product was produced, matured and finished by the Company's distilling and production teams at Campbellfield, Victoria.

#### Agave:

Alongside the reveal of its Act of Treason Australian Agave brand in September 2022, Top Shelf continued to invest in its agave agronomy operations at Eden Lassie, the development of a dedicated onsite agave distillery and ongoing brand development and associated go to market strategy.

At December 2022, Top Shelf had more than 520,000 plants in ground with a further 245,000 plants in nursery. The Company's agave assets reflected book value of **\$25 million** at 31 December 2022 inclusive of biological and land assets, and capital expenditure to date of the agave distillery project. By completion of distillery project in June 2023, the book value of Top Shelf's agave assets is expected to exceed **\$35 million**.

With plants in ground since the beginning of 2020, the Company's ongoing monitoring of brix levels from sample agave pina indicates that mature plants should be readily available for harvest by the end of 2023. The Company's agave distillery project remains on budget and on time.

#### Eden Lassie monsoonal weather event – January 2023

During the week commencing Monday 16 January 2023, Top Shelf's Eden Lassie agave farm in The Whitsundays region of Queensland experienced a monsoonal weather event resulting in significant rainfall of 470 mm. This is not unusual for this time of year given the location in the tropics and substantial rain events have been taken into consideration during development of the farm at Eden Lassie.

Although the creeks, gullies and drains running through the farm carried a large volume of water, the water management and drainage strategies employed by the Company on the farm was successful in protecting the established agave plants. Maintaining vegetation coverage on the soil throughout the farm has protected the soil, slowed water movement across the farm and minimised erosion.

The Company's agave distillery project at Eden Lassie has not been impacted by the monsoonal weather event.

**FY23 1H cash flow reconciliation**

The Company's business investment in brand, whisky and agave activities, totaling **\$8.1 million** in FY23 1H as set out earlier in this quarterly report, are reflected in the statutory presentation of operating and investing cash flows. A reconciliation is summarised in Table 2.

*Table 2: FY23 1H cash flow reconciliation*

\$ million	FY23		
	Q1	Q2	1H
Operating			
Business investment <sup>8</sup>	(2.1)	(3.3)	(5.3)
Trading activities	(4.9)	(5.8)	(10.7)
Operating - total	(7.0)	(9.1)	(16.1)
Investing			
Business investment <sup>8</sup>	(1.3)	(1.5)	(2.8)
Other – stay in business	(0.2)	(0.5)	(0.7)
Investing - total	(1.5)	(2.0)	(3.5)
Financing	2.6	3.6	6.2
<b>Net</b>	<b>(6.0)</b>	<b>(7.5)</b>	<b>(13.4)</b>
<b>Closing cash balance</b>	<b>14.2</b>	<b>6.7</b>	<b>6.7</b>

**Available funding**

The Company's available funding as at 31 December 2022 was **\$16.7 million** consisting of cash of \$6.7 million and an undrawn balance of \$10.0 million from the Company's debt facility with Longreach Credit. As at 31 December 2022, the Company's \$45.0 million debt facility was drawn to \$35.0 million.

<sup>8</sup> The Company's business investment activities reflected in Operating cash flows include brand and new make whisky production expenditure. Business investment activities reflected in Investing cash flows include maturation asset purchases, agave agronomy and the agave distillery capital project.

## Appendix 1 | Revenue presentation

Contract packaging revenue in relation to a customer, Pinnacle Group, has been presented net of excise in this FY23 Q2 Quarterly Report and Appendix 4C. Management has assessed the contractual obligations of Top Shelf's customer arrangement to be an agent in relation to the excise obligation of product co-packed for Pinnacle Group. In accordance with the *AASB 15 Revenue from Contracts with Customers*, the Company has recognised the associated revenue on a net excise basis.

A reconciliation of the Company's unaudited revenue for FY23 1H and comparative period is set out in Table 2.

*Table 2: Revenue reconciliation*

\$ million	FY23			FY22	
	Q1	Q2	1H	1H	2H
Brand	4.2	7.6	11.8	4.6	7.8
Contract packaging	1.5	1.4	2.9	4.2	3.7
<b>Group revenue (revised presentation)</b>	<b>5.7</b>	<b>9.0</b>	<b>14.7</b>	<b>8.8</b>	<b>11.4</b>
Contract packaging excise	1.2	0.9	2.1	2.6	2.4
Group revenue (superseded presentation)	6.9	9.9	16.8	11.4	13.8

A reconciliation of statutory to pro forma unaudited revenue, as referenced in this FY23 Q2 Quarterly Report and Appendix 4C, is set out in Table 3.

*Table 3: Pro forma revenue reconciliation*

\$ million	FY23			FY22	
	Q1	Q2	1H	1H	2H
Brand	4.2	7.6	11.8	4.6	7.8
Contract packaging	1.5	1.4	2.9	4.2	3.7
<b>Group revenue</b>	<b>5.7</b>	<b>9.0</b>	<b>14.7</b>	<b>8.8</b>	<b>11.4</b>
Pro forma adjustment <sup>9</sup>	1.0	1.4	2.4	-	1.3
<b>Pro forma brand</b>	<b>5.2</b>	<b>9.0</b>	<b>14.2</b>	<b>4.6</b>	<b>9.1</b>
<b>Pro forma group revenue</b>	<b>6.7</b>	<b>10.4</b>	<b>17.1</b>	<b>8.8</b>	<b>12.7</b>

<sup>9</sup> The pro forma adjustment reflects the recognition of revenue with Coles Liquor Group on a gross excise basis for consistency with all other domestic revenue channels.

**End**

*This announcement was approved by the Company's Chief Executive Officer Drew Fairchild, on behalf of the Top Shelf Board.*

**For more information (investors and media):**

For further information, please visit our investor website <https://www.topshelfgroup.com.au/investors> or contact investor relations at [investor@topshelfgroup.com.au](mailto:investor@topshelfgroup.com.au) or on +61 409 916 474.

Media enquiries, please contact Matt Slade on the above number.

**About Top Shelf**

Top Shelf International is a Melbourne based distiller and marketer of premium Australian spirits, with distinctive brands in NED Australian Whisky and Grainshaker Hand Made Australian Vodka. The Company has a track record of success creating high quality, premium Australian products and brands; each in its own way encapsulating a distinctive Aussie attitude, social experience and flavour profile.

The Company has expertise in the development and production of distilled spirits, undertakes a significant level of research and development and operates modern fermentation, distillation and packaging facilities in Campbellfield, Victoria.

The Company is creating Australia's first agave spirit range from its magnificent Agave farm in The Whitsundays region of Queensland. This location has been specifically chosen for its climatic suitability for growing *tequilana* blue agave. The farm is being developed using the most up-to-date and innovative agronomy and horticultural practices.

In addition to distilling and manufacturing its own portfolio of spirit brands, Top Shelf also provides canning, bottling and packaging services to a range of customers.



## Appendix 4C

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

Name of entity

Top Shelf International Holdings Ltd

ABN

Quarter ended ("current quarter")

22 164 175 535

31 December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers (incl. GST)	9,804	17,987
1.2	Payments (incl. GST) for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs <sup>1</sup>	(9,964)	(17,549)
	(c) advertising and marketing	(4,271)	(7,231)
	(d) leased assets	-	-
	(e) staff costs	(2,787)	(5,599)
	(f) administration and corporate costs	(1,947)	(3,750)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
1.8	Other (provide details if material)	-	-
1.9	<b>Net cash from / (used in) operating activities</b> Note 1: Product manufacturing and operating costs include: <ul style="list-style-type: none"> <li>investment in new make whisky inventory of \$0.4m in Q2 and \$0.8m for 1H;</li> <li>branded product and contract packaging excise impost (recognised at the point of sale) of \$4.7m in Q2 and \$7.8m for 1H.</li> </ul>	(9,165)	(16,142)

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,549)	(2,557)
	(d) investments	-	-
	(e) intellectual property	(8)	(108)
	(f) other non-current assets (biological asset development)	(414)	(833)
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-

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

2.5	Other (R&D refund associated with capital activities)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,971)</b>	<b>(3,498)</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	5,000	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(305)	(2,022)
3.8	Dividends paid	-	-
3.9	Other (provide details if material):		
	Payment of lease liability principal – buildings and equipment	(79)	(162)
	Interest and other finance costs - borrowings	(780)	(1,236)
	Interest and other finance costs - leases	(191)	(380)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,645</b>	<b>6,200</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	14,179	34,308
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,165)	(16,142)

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

4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,971)	(3,498)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,645	6,200
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,689</b>	<b>6,689</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,689	14,179
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>6,689</b>	<b>14,179</b>

6.	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	15
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p>In accordance with ASX listing rule 4.7C.3, the following summarises the related party transactions of the Company in the first quarter of FY23.</p> <p>Top Shelf engaged Fairchild Advisory, a related party of Chief Executive Officer, Drew Fairchild, in relation to the provision of health safety, environment and quality services. The Company has incurred fees of \$14,600 (excluding GST) in relation to these services.</p>		

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

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	45,000	35,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	45,000	35,000
7.5	<b>Unused financing facilities available at quarter end</b>		10,000
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>Top Shelf International Holdings Ltd has a secured financing facility agreement arranged by Longreach Credit Investors Pty Ltd with AMAL Trustees Pty Ltd as trustee for the Longreach Direct Lending Fund.</p> <p>The facility limit is \$45.0 million and the interest rate is 8.25% provided the market capitalisation of Top Shelf exceeds \$75.0 million. The alternative interest rate is 10.25%. The facility matures in December 2024.</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)	(9,165)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,689
8.3	Unused finance facilities available at quarter end (item 7.5)	10,000
8.4	Total available funding (item 8.2 + item 8.3)	16,689
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.8
	<p><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></p>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p>	

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

	<p>The Company anticipates an improvement in net operating cash flows in the third and fourth quarters of FY23 relative to the second quarter. Trading activity in the second quarter:</p> <ul style="list-style-type: none"> <li>• is seasonally skewed toward the end of the quarter with a corresponding increase in trade receivable collections anticipated in the third quarter;</li> <li>• included payment of a number of major sponsorship arrangements.</li> </ul>
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?
	<p>The Company, and its directors, is continually evaluating the capital requirements of the Company's operations and options to raise further capital in the form of either additional equity or debt, or realisation of assets.</p> <p>The ability of raise additional capital is underpinned by Top Shelf's track record of accessing capital to fund its strategic objectives and by the demonstrated operational performance of the Company to 31 December 2022.</p>
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?
	<p>The Company, and its directors, expects to continue operations and achieve its strategic objectives utilising the funds currently available to Top Shelf and sourcing additional capital as required.</p>
<p><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></p>	

**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 January 2023

Authorised by: Drew Fairchild, Chief Executive Officer

(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.

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

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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.