

## December 2024 Quarterly Activities Report & 4C Market Update

Lark Distilling Co. Ltd (ASX: LRK) (“LARK” or the “Company”) is pleased to provide a business update for the quarter ended 31 December 2024 (Q2FY25 or Q2) and Appendix 4C.

### Q2FY25 Highlights:

- **International Sales Momentum & Domestic Leadership Position**
  - Net Sales revenue growth of +7% or \$0.3 million versus pcp to \$4.5 million. Driven by growth in D2C, GTR and Export, partially offset by lower Net Sales from domestic B2B. Net Sales revenue for HY25 was \$7.9m, up 7% or \$0.5 million.
  - D2C Net Sales were +\$0.3 million versus pcp, driven by continued strong performance in both Lark’s Ecommerce channel and Hospitality venues. DTC Net Sales for HY25 were +\$0.6 million versus pcp.
  - Lark’s Global Travel Retail (GTR) presence continues to grow in key Australian Airports. GTR Net Sales were \$0.5 million in Q2, +12% vs pcp, and for HY25 were \$0.8 million, up 18% on pcp.
  - Direct export sales in Q2 of \$0.2 million, driven by a replenishment shipment to Singapore. For HY25, direct export sales to in-market distributors were \$0.5 million.
  - Domestic B2B Net Sales were down \$0.3 million in Q2, and down \$0.4 million versus pcp. B2B Net Sales includes the impact of Spirits Platform’ distribution margin, which has been fully offset by operating cost savings through the removal of the domestic sales team. Q2 sales to trade and consumers were also negatively impacted by industrial action at Endeavour Group’s distribution centres.
- **Build Long Term Brand Value**
  - The Lark Portfolio & Brand restage is on track for completion by FY25.
  - Increased activation plans locked in with Asian Distributors for H2 - Asian Brand Ambassador appointed in Region during Q2.
  - Pontville development ongoing, as well as the decommissioning of Cambridge Pot Stills.
- **Cash & Capital Discipline**
  - Whisky Bank of 2.5 million litres at 31 December 2024 (30 September 2024: 2.5 million litres).
  - Cash balance and Cash Term Deposits of \$23.6 million at 31 December 2024; Committed \$5 million bank facility remains undrawn.
  - Bothwell Distillery sale process continuing, with a conditional offer being progressed.

### Lark CEO Sash Sharma added:

*“Operationally as a whole, our business performance continues to improve, with both Q2 and HY25 Net Sales up 7%. Pleasingly our D2C, GTR and direct export businesses performed strongly in Q2, building on the positive operating momentum from FY24 and Q1FY25.*

*Our D2C business benefited from the extension of personalisation into Christmas Cask, as well as the first release from the Wilderness Single Cask Program. This channel exclusive elevated luxury offering allows us to express the uniqueness of Tasmania through each chapter. Lark Hospitality venues continue to perform well, with our Pontville Distillery attracting more visitors in the quarter through increased and enhanced tour offerings.*

*Momentum continues on the direct export side of our business, with upweighted H2 Trade activation programs being agreed with Distribution Partners, and the appointment of a Regional Brand Ambassador for Asia to drive trade and consumer engagement in the region. Net Sales for Q2 were \$0.2 million, primarily through a replenishment order to Singapore, bringing Net Export Sales for the half year to \$0.5 million.*

*Our GTR business continued its good performance in Q2, with sales up 12% versus the prior corresponding period. New ranging was secured in Adelaide International Airport from November, with all major Australian International Airports now ranging Lark and Forty Spotted. Importantly, tasting bar activations have been secured for Q3 in both Sydney and Melbourne International Airports.*

*The recent transition to Spirits Platform as our domestic distribution partner is progressing well, albeit set against the backdrop of challenging retail trading conditions. Performance from our Domestic B2B business has been broadly in line with our expectations, unfortunately depletions into trade in December were negatively impacted by industrial action impacting Endeavour Group's distribution centres.*

*I am delighted to confirm that our Brand & Portfolio restage is well advanced and will be live by the conclusion of FY25. We look forward to sharing some elements of our revised portfolio during H2. This crucial investment in the Lark Brand restage will support our global expansion ambitions, positioning Tasmania as the epicentre of new world whisky, with Lark as the differentiated leader."*

#### **December 2024 Quarter Cashflow Highlights**

Net operating activity cash outflows were \$1.6 million for the quarter, versus \$1.0 million from the prior quarter, and \$0.8m in the pcp. The December Quarterly operating cashflow reflects a planned increase in brand and marketing investment in line with our strategic priorities, and the timing of receipts, following transition to our Distributor based sales model.

Operating activity inflows through customer receipts totalled \$4.2 million, down \$0.2 million to the prior quarter and down \$1.4 million versus pcp of \$5.6 million. The transition to a Distributor-based sales model has changed the timing of receipts through changes in order patterns and payments terms. This change resulted in the historical increase in Q2 receipts from sales across the Christmas period being pushed into Q3, with receipts of \$0.9 million collected in the first week of January as receivables became due. In addition, under the revised Domestic sales model, Alcohol Excise payments are now the responsibility of Spirits Platform. This has reduced Excise collected within customer receipts, with a corresponding offset in payments for product manufacturing and operations.

Payments for product manufacturing and operating costs were \$2.2 million versus pcp of \$2.5 million, with the decrease due to lower B2B Excise payments as a result of the change to Domestic sales model being partially offset by the impact of timing of purchases.

Advertising and marketing payments increased \$0.5 million compared to the previous quarter, to \$1.3 million, reflecting the investment in the Lark Brand restage (HY25: ~\$0.5 million), and increased DTC advertising spend as part of the successful Christmas gifting period. Compared to the pcp, advertising and marketing payments were up \$0.8 million.

Payments for staff costs of \$1.9 million, were down \$0.3 million from the prior quarter, which included staff related restructuring costs from the change in the domestic sales model. Compared to the pcp, staff costs were flat, with underlying saving from lower employee cost base being offset by one additional payroll processing period in Q2FY25.

Government Grants and tax incentives received in the quarter of \$0.5 million relate to Australian Government R&D Tax Incentive, with the equivalent receipt in FY24 occurring in Q3.

Payments for PP&E were \$0.2 million in Q2, relating to the ongoing development of Pontville as the primary Lark production facility.

Payments disclosed in section 6.1 include \$1K spend for purchase of inventory from Seppeltsfield Wines Pty Ltd, an associated entity related to Warren Randall (Non-Executive Director). The remaining payments disclosed relate to Non-Executive Director fees.

Cash at bank at 31 December 2024 of \$23.6 million, which includes a \$7 million cash term deposit. Following the recent equity raise, the \$15 million facility limit was reduced to \$5 million during October.

**About Lark Distilling Co:**

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed distillery in 154 years. LARK, Australia's No.1 Luxury Single Malt Whisky brand houses a range of spirits headlined by its Single Malt Signature Collection; Classic Cask 43% ABV, Chinotto Citrus Cask 44% ABV, and Tasmanian Peated 46% ABV, with coveted pinnacle expressions released through The Rare & Remarkable Collection. Symphony No.1 40.2% ABV is a unique blended-malt whisky, while the distillery also handcrafts a range of award winning Forty Spotted Gins, with native Tasmanian pepper berry, citrus and juniper, a refreshing take on gin, from the bottom of the world.

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

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

LARK can be enjoyed at the iconic Hobart Cellar Door, at the neighbouring Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. The immersive LARK Distillery Tour set at the historic Pontville Distillery is the brand's ultimate adventure into distilling, available seven days. LARK Distilling Co, a fabric of our community, is crafted from grain to glass, using the purest natural elements from Tasmania. Welcome to the New World of Whisky.

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

## Appendix 4C

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

**Name of entity**

Lark Distilling Co. Ltd

**ABN**

62 104 600 544

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

31 December 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,151	8,488
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,185)	(3,539)
(c) advertising and marketing	(1,269)	(2,033)
(d) leased assets	-	-
(e) staff costs	(1,920)	(4,140)
(f) administration and corporate costs	(881)	(1,863)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	128	185
1.5 Interest and other costs of finance paid	(49)	(99)
1.6 Income taxes/GST paid	(106)	(152)
1.7 Government grants and tax incentives	524	524
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,607)</b>	<b>(2,629)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(222)	(257)
(d) investments	(7,000)	(7,000)
(e) intellectual property	(12)	(28)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	10	10
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(7,224)</b>	<b>(7,275)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	24,983
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	(93)	(564)
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)	(149)	(304)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(242)</b>	<b>24,115</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	25,639	2,355
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,607)	(2,629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,224)	(7,275)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(242)	24,115
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>16,566</b>	<b>16,566</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,066	25,639
5.2	Call deposits	6,500	
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>16,566</b>	<b>25,639</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	101
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</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	5,000	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	5,000	-
7.5	<b>Unused financing facilities available at quarter end</b>		5,000
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The company secured a \$15million debt facility from National Australia Bank (as announced by the company on 24<sup>th</sup> November 2021). In February 2024 the facility was extended until January 2028. Following the recent equity raise, the \$15 million facility limit was reduced to \$5 million during October.</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)	(1,607)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,566
8.3	Unused finance facilities available at quarter end (item 7.5)	5,000
8.4	Total available funding (item 8.2 + item 8.3)	21,566
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	13.4
	<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	<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> <p>Answer: N/A</p> <p>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> <p>Answer: N/A</p> <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> <p>Answer: N/A</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 2025

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.