

December 2023 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 2023 (Q2FY24 or Q2) and Appendix 4C.

Q2FY24 Highlights:

- Q2FY24 Net Sales revenue was \$4.2 million, down \$1.1 million vs. Q2FY23 driven by lower limited release sales in domestic channels as previously outlined and reduced export (-\$0.5m) due to a slowdown in the Chinese Indirect Export channel.
- Despite ongoing challenging trading conditions, the Core Lark Signature range continued to perform well in Australia, with Net Sales growth of 24% vs. pcpc across domestic channels supported by additional ranging of both Lark Tasmanian Peated and Lark Rebellion.
- Whilst Indirect Export sales declined, good progress was made in our new sustainable export expansion plans, with first Distribution Agreements now signed with Velocity Wines & Spirits, one of the leading spirits distributors in Singapore. Indonesian Distribution Agreement (previously MOU) executed in January, with shipments confirmed for Q3FY24.
- Lark's Global Travel Retail presence continues to grow in key Australian airports, with Net Sales in the quarter up \$0.2 million versus pcpc, with strong brand presence and consumer offtake over the key seasonal travel period.
- Continued focus on capital discipline has resulted in year-on-year production cash savings, with a \$0.8 million benefit in the second quarter vs. pcpc and year to date of \$2 million vs H1FY23.
- Net operating activity cash outflows were \$0.8 million for the quarter, reflecting a \$0.2 million improvement versus pcpc when adjusting for one off net cashflows in the pcpc.
- Whisky Bank of 2.4 million litres at 31 December 2023, unchanged from 30 September 2023.
- Cash balance of \$5.5 million at 31 December 2023, with \$15 million undrawn committed bank facility available.

Lark CEO Sash Sharma added:

"Our second quarter sales of \$4.2 million reflect the impact of lower limited releases and a slowdown in the legacy Indirect Export channel against the prior corresponding period. It is pleasing to see the continued underlying performance of the core Signature and Symphony range in our domestic channels and a growing presence in Global Travel Retail. This resilient performance is set against a backdrop of soft consumer confidence and challenging domestic trading conditions. Off a small base, our nascent GTR business continues to grow its presence and performance in key Australian airports, with this channel remaining a key strategic priority for Lark.

On the export side of the business, we are setting ourselves up to drive international sales momentum, by creating repeatable and diversified revenue streams, which will be increasingly important with the softer consumer confidence currently in the domestic market. We continue to make good progress with Southeast Asian distributors, with MOUs in place with Malaysian and Philippines distributors, and Indonesia now progressed to the execution of a Distribution Agreement with Pelita Makmur Perkasa (PMP). The first orders of our core range will be shipped to PMP during the March Quarter. Plus, today, I am delighted to confirm that we have executed a Distribution Agreement with Velocity Wines & Spirits, a premier distributor in Singapore.

Additionally, our focus on cash and capital discipline continues to result in an improvement in our underlying operating cashflow. Our underlying net operating activity cash outflows continued to improve against last year, with this improvement a direct result of our renewed focus on cost control and our decision to consolidate production to our Cambridge Distillery from Q4FY23, which more than offset the impact of lower limited release sales.

I welcome Domenic's appointment as Chair of Lark as we continue to execute on Lark's strategy to create long-term value for our stakeholders. I would also like to take this opportunity to thank David for his time as Chair of Lark, and I look forward to continuing to work closely with him as a Non-Executive Director."

December 2023 Quarter Cashflow Highlights

Net operating activity cash outflows were \$0.8 million for the quarter. Adjusting for Government grants of \$1.8 million received and one off staff, administration and corporate costs of \$1.2 million in the pcq, this reflects a \$0.2 million improvement versus the Q4FY23 outflow.

Operating activity inflows through customer receipts totalled \$5.6 million representing a \$0.5 million increase on the prior quarter, and down \$1.4 million versus the pcq of \$7 million, largely reflecting the sale of limited releases in the pcq.

Payments for product manufacturing and operating costs continued the year-to-date savings trend, down \$0.8 million versus pcq to \$2.5 million. As outlined last quarter, the reduction in product manufacturing and operations includes the benefit of the decision made during Q4FY23 to exercise cash and capital discipline by consolidating distilling production at our Cambridge site. Increase in payments for product manufacturing costs of \$0.8m versus Q1FY24 was due to timing of payments and increased purchases in advance of Export sales in H2. Advertising and marketing costs declined versus pcq as a result of timing as plans and activities are being tailored to enable export expansion in 2HFY24.

Savings versus pcq for staff costs and administration costs of \$1.6 million was supported by non-recurring payments in the prior year of \$1.2 million, with underlying saving of \$0.4 million through cost control measures including benefits from the restructure implemented in June 2023, more than offsetting inflationary pressures. From Q4FY23, there has been a switch in payments from administration costs to staff costs from the pcq, with roles being filled by employees rather than consultants.

Net taxes paid of \$0.5 million increased versus prior quarter due to timing of payments.

Payments disclosed in section 6.1 include \$48K spend for purchases of casks from Seppeltsfield Wines Pty Ltd, an associated entity related to Warren Randall (Non-Executive Director). The remaining payments disclosed in section 6.1 relate to Non-Executive Director fees.

Cash at bank at 31 December 2023 of \$5.5 million, down \$1.1 million from \$6.6 million last quarter, with a \$15 million undrawn committed bank facility available.

About Lark Distilling Co:

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed distillery in 154 years. LARK, Australia's No.1 Luxury Single Malt Whisky brand, houses a range of spirits headlined by its Single Malt Signature Collection; Classic Cask 43% ABV, Rebellion Chinotto Citrus Cask 44% ABV, and Tasmanian Lightly Peated 46% ABV, and its unique blended-malt whisky, Symphony No.1 40.2% ABV. The distillery also handcrafts a range of Forty Spotted Gins with native pepperberry, and Tasmanian liqueurs.

LARK is locally and internationally recognised for its quality, innovation, and people; awarded numerous prestigious accolades over the past three decades. At the World Whiskies Awards in August 2023, LARK took home Best Single Malt and Best Blended Malt in the region, as well several gold medals across the portfolio. Bill Lark was recognised and honoured for his life-long dedication to the advancement of Tasmanian whisky with the prestigious 'Lifetime Achievement Award' at the 2022 Spirits Business Awards in London.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", DARK LARK was crowned "Single Malt of the Year", Bill Lark was named "Personality of the Year", and Master Distiller Chris Thomson was named "Distiller of the Year". In August 2022 LARK received the Master Medal Award, in the World Whisky Masters for its innovative Chinotto II Cask Strength release, alongside a further seven gold medals across the portfolio.

LARK can be enjoyed at the iconic Hobart Cellar Door and neighbouring award-winning Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. LARK Distilling Co, a fabric of our community, is crafted from grain to glass, using the purest, natural elements from Tasmania. Welcome to the New World of Whisky.

For more information contact:

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

Appendix 4C

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

Name of entity

Lark Distilling Co. Ltd

ABN

62 104 600 544

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		5,551	10,628
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(2,532)	(4,261)
(c) advertising and marketing		(452)	(802)
(d) leased assets		(5)	(10)
(e) staff costs		(1,922)	(4,396)
(f) administration and corporate costs		(884)	(1,784)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		13	29
1.5 Interest and other costs of finance paid		(69)	(118)
1.6 Income taxes/GST paid		(495)	(393)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(795)	(1,107)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(152)	(309)
(d) investments		-	-
(e) intellectual property		(64)	(95)
(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	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(216)	(404)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(62)	(124)
3.10	Net cash from / (used in) financing activities	(62)	(124)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,598	7,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(795)	(1,107)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(216)	(404)

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)	(62)	(124)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	5,525	5,525

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	5,525	6,598
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,525	6,598

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	116
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	15,000	-
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	15,000	-
7.5 Unused financing facilities available at quarter end		15,000
7.6 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. The company secured a \$15million debt facility from National Australia Bank (as announced by the company on 24 th November 2021).		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(795)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,525
8.3 Unused finance facilities available at quarter end (item 7.5)	15,000
8.4 Total available funding (item 8.2 + item 8.3)	20,525
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	25.8
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 24 January 2024

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.