

Lark announces entry into a Strategic Partnership with Seppeltsfield Wines and approximately \$22.5m Equity Raising

Key highlights

- Lark has today entered into a Heads of Agreement with Seppeltsfield Wines Pty Limited, an entity associated with Lark Director, Warren Randall (“**Strategic Partnership**”).
- The Strategic Partnership will secure access to, and exclusivity over, premium oak barrels for Lark, formalising first right of use arrangements to provide certainty over Lark’s future maturation requirements.
- Lark is undertaking a ~\$15.0 million conditional placement at \$0.85 per new Share to Seppeltsfield Wines Pty Ltd, an entity associated with Warren Randall (\$14.5m), Domenic Panaccio (\$0.25m) and David Dearie (\$0.25m), subject to shareholder approval at an extraordinary general meeting (“**EGM**”) to be held in late August / early September 2024 (“**Conditional Placement**”).
- Lark is also undertaking an unconditional institutional placement (“**Institutional Placement**”) at \$0.85 per share to raise ~\$6.5 million and a non-underwritten share purchase plan (“**SPP**”) intending to raise up to \$1.0 million (together, the Conditional Placement, Institutional Placement and SPP are the “**Equity Raising**”).
- Proceeds from the Equity Raising will provide Lark with additional balance sheet capacity to invest in the Lark brand and facilities over the next two years to drive the export strategy and accelerate growth.
- The Equity Raising fortifies the balance sheet to provide Lark with the platform for investment, while enabling a high level of confidence through to positive operating cashflows in FY27.

Overview of Strategic Partnership

- Seppeltsfield Wines is one of the largest and most historic wineries in the Barossa Valley region, with wine production dating back over 170 years, and a deep heritage in fortified wines.
- The Strategic Partnership provides Lark with secure access to, and exclusivity over rare premium barrels including fortified Tawny, Apera and Muscat barrels.
- These barrels will be central to Lark’s premium portfolio offering and ongoing expansion strategy, both domestically and internationally.
- The use of barrels forms an integral part of the whisky making process for Lark, with greater than 60% of the final whisky product character influenced by the interaction of the new make spirit with the casks in which they are held.
- Continuing supply of the highest quality barrels creates a key competitive advantage for Lark. This follows notable precedents internationally including Macallan’s partnership with Grupo Estevez to secure high-quality seasoned oak barrels for whisky maturation.

Key Terms of the Strategic Partnership

- 10-year agreement with a 10-year option for extension by Lark
- Access to rare, fortified, Tawny, Muscat, Tokay, PX and Olorosso barrels that will be central to Lark’s premium portfolio offering and ongoing expansion strategy, both domestically and internationally
- Exclusivity with respect to selected fortified barrels over five years old
- First right of refusal over all other fortified barrels
- Exclusivity on naming rights and usage in relation to whisky products
- Joint R&D trials
- Heads of Agreement in place with contract to be signed subject to completion of the Conditional Placement to Seppeltsfield Wines Pty Ltd

Lark CEO Sash Sharma added:

“The strategic partnership with Seppeltsfield marks a significant milestone for Lark. This, in addition to the equity raise being undertaken, will equip Lark with the resources to continue to produce exceptional whisky while providing the balance sheet flexibility to invest in our brands, facilities and distilling production. Our goal is to

accelerate our growth and drive increased shareholder returns through these strategic initiatives.

In providing security of access to some of the world's highest quality barrels, the strategic partnership with Seppeltsfield creates further competitive advantage for Lark in an integral part of our Whisky making process. The partnership also lays a solid foundation for Lark's future portfolio and brand offerings.

Upweighted brand and marketing spend will see Lark investing ahead to enhance Global appeal and build awareness, positioning us well for success in new markets and channels. Additionally, we plan to enhance our cellar door experience in Hobart to better engage with our consumers and trade partners.

Finally, this investment also supports further development of the Pontville site, expanding production and storage capacity as we aim to establish Pontville as the long-term home of the Lark brand."

FY24 Unaudited Results

On the basis of management accounts which are preliminary and unaudited, Lark's FY24 results are expected to be:

- Net sales of \$14.0m, in-line with previous market update (down \$3.1m on FY23);
- Operating EBITDA of \$(2.8m);
- Gross margin of ~68%; and
- Whisky bank of 2.5 million litres (at 43% ABV).

Equity Raising

Proceeds from the Equity Raising will provide Lark with balance sheet flexibility to invest in the Lark brand and facilities to drive the export strategy and accelerate growth. This investment includes further development of the Pontville site which will see increased production and storage capacity, along with enhancements to Lark's cellar door offering in Hobart. Brand and marketing investment will be deployed against Lark's brand restage and in export market brand investment including Global Travel Retail expansion, with distilling production scaling up to support increased future demand.

USES OF PROCEEDS FROM EQUITY RAISING	\$M
Capital investment: - Pontville plant and equipment - Cellar door investment	~5
Brand & marketing investment: - Brand restage – portfolio and positioning development - Export market brand investment including GTR expansion	~9
Working capital and general corporate purposes	~7
Transaction costs	<0.5
TOTAL	~21.5

Following the Institutional Placement and Conditional Placement, Lark expects a pro-forma 30 June 2024 cash balance of approximately \$23m. In addition, Lark has an undrawn committed bank facility of \$15m available, recently extended to January 2028.

Institutional placement

Lark is undertaking a placement of new fully paid ordinary shares in Lark ("**New Shares**") to eligible institutional investors to raise ~\$6.5 million, utilizing its existing placement capacity under ASX LR 7.1.

The offer price per New Share is \$0.85 (“Placement Price”) which represents a:

- 1.7% discount to Lark’s last close price of \$0.865 per share on Friday, 26 July 2024; and
- 3.8% premium to Lark’s 20-day volume-weighted average price (“VWAP”) per share of \$0.82 on Friday, 26 July 2024.

The Institutional Placement will result in approximately 7.6 million New Shares being issued, representing approximately 10.1% of Lark’s existing issued capital.

Conditional Placement

Lark also intends to undertake a ~A\$15.0 million conditional placement to Lark Directors as follows:

- Seppeltsfield Wines Pty Ltd, an entity associated with Warren Randall, has committed to subscribe for \$14.5 million
- Domenic Panaccio has committed to subscribe for \$0.25 million
- David Dearie has committed to subscribe for \$0.25 million

The Conditional Placement is being undertaken at the Placement Price, and will be subject to shareholder approval at an EGM.

Subject to shareholder approval, the Conditional Placement will result in approximately 17.6 million New Shares being issued, representing approximately 23.3% of Lark’s existing issued capital.

Major Shareholders Neill Family Office, Perennial Value Management and Lee Ming-Tee confirm their participation in the Institutional Placement and their support for the Equity Raising, including their intention to vote in favour of the Conditional Placement at Lark’s upcoming Extraordinary General Meeting.

Share Purchase Plan

Eligible Lark shareholders, being shareholders who had a registered address in Australia or New Zealand on Lark’s register as at 7.00pm (AEDT) on the Record Date will be invited to subscribe for up to a maximum of \$30,000 of New Shares per eligible shareholder at the Placement Price of \$0.85, free of any brokerage or transaction costs.

It is intended that the SPP will raise up to \$1 million and it is not underwritten. Lark retains the right to accept oversubscriptions or to scale back applications at its absolute discretion. New Shares issued under the SPP will rank equally with existing Lark shares from the date of issue.

Further details of the SPP will be set out in the SPP Offer Booklet, which will be released to ASX and made available to eligible shareholders in Australia and New Zealand on or around Monday, 5 August 2024.

Timetable

Item	Date
Record date for SPP	Friday, 26 July 2024
Trading halt and announcement of the Placement	Monday, 29 July 2024
Placement bookbuild	Monday, 29 July 2024
Announcement of the outcome of the Institutional Placement	Tuesday, 30 July 2024
Trading halt lifted – trading resumes on the ASX	Tuesday, 30 July 2024
Settlement of New Shares issued under the Institutional Placement	Thursday, 1 August 2024
Allotment and normal trading of New Shares issued under the Institutional Placement	Friday, 2 August 2024
SPP offer opens and SPP offer booklet is dispatched	Monday, 5 August 2024
SPP offer closes	Tuesday, 20 August 2024
SPP issue and allotment date	Tuesday, 27 August 2024
Normal trading of New Shares issued under the SPP	Wednesday, 28 August 2024
Lark EGM to approve the Conditional Placement	Expected to be late August / early September
Settlement of New Shares under the Conditional Placement	Expected to be early September
Allotment and normal trading of New Shares issued under the Conditional Placement	Expected to be early September

For more information contact:

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