

September 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 30 September 2024 (Q1FY25 or Q1) and Appendix 4C.

Q1FY25 Highlights:

- **International Sales Momentum & Domestic Leadership Position**
 - Net Sales revenue growth of +7% or \$0.2 million, to \$3.4 million, versus pcp. Driven primarily by growth in D2C and Export being partially offset by lower Net Sales from domestic B2B which were broadly in line with our expectations for Q1.
 - D2C sales were +\$0.3 million versus pcp. Strong performance driven by both Lark’s Ecommerce channel, including Personalised Classic Cask over Father’s Day gifting period, and Lark hospitality venues.
 - Direct export sales in Q1 of \$0.2 million, driven by the previously advised second shipment to Indonesia.
 - Following the change in the domestic B2B sales model announced 12 June 2024 and effective in trade from 1 August 2024, B2B Net Sales includes the impact of the Spirits Platform distribution margin, fully offset by operating cost savings.
 - Lark’s Global Travel Retail presence continues to grow in key Australian airports, with Net Sales of \$0.3 million in Q1, +12% vs pcp.
- **Build Long Term Brand Value**
 - Good progress made in planning for the modest, modular transition from Cambridge to Pontville as the primary Lark production facility.
 - Lark Portfolio & Brand restage, working with Love Creative Design Agency, is progressing well.
- **Cash & Capital Discipline**
 - Whisky Bank of 2.5 million litres at 30 September 2024 provides flexibility in the stock model to support future growth (30 June 2024: 2.5 million litres).
 - Cash balance of \$25.6 million at 30 September 2024 reflects the benefit of the Strategic Partnership with Seppeltsfield Wines and Equity raise of \$24.5 million. Following the equity raise, the undrawn committed bank facility was reduced from \$15 million to \$5 million in October 2024.
 - Sales campaign for the surplus Bothwell Distillery commenced in October.

Lark CEO Sash Sharma added:

“The Seppeltsfield Strategic Partnership & Equity raise was completed during the September quarter – this landmark partnership and related equity raise, means that we are well positioned to invest in the Lark brand and facilities to drive the export strategy and to accelerate growth.”

Operationally our first quarter sales of \$3.4 million were up 7% on the prior corresponding quarter, and broadly in-line with the previous quarter. In the domestic B2B market, we made the transition to Spirits Platform as our domestic distribution partner on 1 August with a seamless changeover in trade and work ongoing to deliver a growth plan given the step-change in commercial coverage. Our D2C business had a strong quarter, up \$0.3 million versus the prior corresponding quarter, driven by Father’s Day gifting period with Personalised Classic Cask and Lark hospitality venues.

Our GTR business continued its good performance, with sales up 12% versus the prior corresponding period. On the direct export side, which cycled \$0.1 million of indirect export sales in the prior corresponding period, we recorded a planned \$0.2 million re-order shipment to Indonesia. We continue to work closely with our Asian distribution partners for launch events to build awareness, both with trade and direct consumers, as well as build distribution.

As we reported at our FY24 results, in line with our strategic priority to build long term brand value, work has commenced on our Brand & Portfolio restage, we have appointed LOVE, a highly credentialled global creative agency, experienced in the Luxury alcohol space. This exciting workstream is progressing well, and will support our global expansion ambitions, positioning Tasmania as the epicentre of new world whisky, with Lark as the differentiated leader. We can expect to see our Brand restage live by the conclusion of FY25."

September 2024 Quarter Cashflow Highlights

Net operating activity cash outflows were \$1.0 million for the quarter, an improvement of \$0.4 million from the prior quarter.

Operating activity inflows through customer receipts totalled \$4.3 million, flat to the prior quarter and down \$0.7 million versus pcp of \$5.1 million, largely reflecting timing of receipts.

Payments for product manufacturing and operating costs improved \$0.4m versus pcp to \$1.4 million, driven by timing of purchases, and improved \$0.3 million versus the prior quarter largely driven by the benefit of \$0.35 million excise rebates reducing Q1FY25 expenditure.

Advertising and marketing payments increased \$0.4 million versus pcp to \$0.8 million, reflecting work on the brand restage and increased DTC advertising spend as part of the successful Father's Day gifting period.

Payments for staff costs of \$2.2 million included \$0.2 million of one-off restructuring costs from the change in the domestic sales model.

Positive net cashflows from financing activities were \$24.4 million, being primarily \$24.5m proceeds (net of transaction costs) from the equity raising relating to the Strategic Partnership with Seppeltsfield Wines and Equity Raise announced on 29 July 2024.

Payments disclosed in section 6.1 relate to Non-Executive Director fees.

Cash at bank at 30 September 2024 of \$25.6 million, with a \$15 million undrawn committed bank facility available. 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 including Gold awards at the Global Spirits Masters Competition for each of LARK Classic Cask, LARK Tasmanian Peated, LARK Chinotto Citrus, and DARK LARK. 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”, 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”. 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.

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")

30 September 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	4,337	4,337
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,354)	(1,354)
	(c) advertising and marketing	(764)	(764)
	(d) leased assets	-	-
	(e) staff costs	(2,220)	(2,220)
	(f) administration and corporate costs	(982)	(982)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	57	57
1.5	Interest and other costs of finance paid	(50)	(50)
1.6	Income taxes/GST paid	(46)	(46)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,022)	(1,022)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(35)	(35)
	(d) investments	-	-
	(e) intellectual property	(16)	(16)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(51)	(51)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	24,983	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	(471)	(471)
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)	(155)	(155)
3.10	Net cash from / (used in) financing activities	24,357	24,357

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,355	2,355
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,022)	(1,022)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(51)	(51)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	24,357	24,357
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	25,639	25,639

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	25,639	2,355
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)	25,639	2,355

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	61
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
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 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 2024.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,022)
8.2 Cash and cash equivalents at quarter end (item 4.6)	25,639
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)	40,639
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	39.8
<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: 30 October 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.