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Lark Distilling Co.

ASX ANNOUNCEMENT **ASX: LRK**

23 October 2020

LARK DISTILLING CO. LTD : 4C MARKET UPDATE.

Q1 Highlights:

- September quarter net sales growth of 78% year on year to $2.28m
- Successful launch of Lark Symphony №1 and the limited release programme
- Total value of whisky under maturation at 30 September 2020 is $107m
- Capital raise of $8.85 million via placement to accelerate growth strategy
- Lark is nominated for Worldwide Whiskey Producer of the Year (outside of Scotland) and record number of awards at the 2020 IWSC

IWSC 2020 AWARDS		
Muscat Cask Single Malt Whisky	Spirit GOLD 2020	96
Sherry Matured Sherry Finished Single Malt Whisky	Spirit GOLD 2020	95
Cask Strength 58% Single Malt Whisky	Spirit Silver 2020	93
Classic Cask 43% Single Malt Whisky	Spirit Silver 2020	92
Forty Spotted Classic Gin	Spirit Silver 2020	91
Symphony No. 1 Blended Malt Whisky	Spirits Silver 2020	90
Forty Spotted Citrus Gin	Spirit Bronze 2020	89

Whisky Creation

The Company is pleased to advise that it has had no COVID-19 related incidents during the quarter and there has been no interruption to the core business of making and laying down whisky. Bond store inventories are accumulating at the rate of 4,490 litres per week bringing total litres under maturation to 769,689 at the end of September 2020 representing a 8% increase on the opening balance at 1 July 2020.

The total value of whisky under maturation at 30 September 2020 is $107m as detailed in the below chart.

Lark Distilling Co. - Litres of Whisky Maturing as at 30 September 2020 at 43% ABV			
FY Maturing	Litres of Whisky at Maturation at 43% ABV	Liquidation Value Today	Net Sales Value at Maturation Date
2021	83,171	$ 11,560,756	$ 11,560,756
2022	63,158	$ 7,640,288	$ 8,778,922
2023	121,813	$ 11,928,804	$ 16,932,028
2024	143,567	$ 11,512,000	$ 19,955,780
2025	109,760	$ 6,667,428	$ 15,256,703
2026+	248,220	$ 8,687,702	$ 34,502,587
Grand Total	**769,689**	**$ 57,996,978**	**$ 106,986,776**

Value at Cost September 2020	$	17,647,013

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Sales and Marketing Performance

The Company achieved net sales of $2.28m (78% growth YOY) during the quarter with the standout performer being larkdistilling.com with over 400% growth YOY. Underpinning this online growth has been the launch of the limited release programme including Sherry Sherry (online exclusive, 250 bottles in 24 hours), Wolf Release (circa. 900 bottles sold to date) and Rum Cask (online exclusive, 330 bottles in 36 hours).

The overall positive sales result was offset by a decline in hospitality revenues of approximately $300k or 73% YOY due to the restricted trading conditions associated with COVID-19. At the time of writing the Tasmanian government had announced a reopening of the borders to interstate travel from the 28th of October which will enable the reopening of the Lark experience at the Brooke Street Pier (closed since April '20) and the launch of the Forty Spotted Gin Bar (on hold since March '20). During the quarter the Company received $363k in Job Keeper subsidy and is no longer eligible for Job Keeper moving forward.

The sales and marketing focus in the quarter was the launch of Lark Symphony No1 and the securing of additional product facings and doors into Dan Murphy's, Vintage Cellars and BWS. During the quarter the Company successfully recruited a seasoned mainland alcohol sales representative to drive sales and improve our service of the independent liquor trade who commences in the role in December 2020.

The relaunch of Forty Spotted Gin remains on scheduled for October 2020.

Nominated for Worldwide Whiskey Producer of the Year

Lark Distilling Co. has been nominated for one of the industry's most illustrious awards, The International Whiskey and Spirits Competition Worldwide Whiskey Producer of the Year the winner of which will be announced on 18 November 2020 in London.

Says Lark Distilling Co. Managing Director Geoff Bainbridge: "It is an incredible achievement for a little distillery at the bottom of the world to step onto the global stage and bring home two golds, five silvers and the coveted nomination for Worldwide Whisky Producer of the Year. We are immensely proud of the quality of product we produce here in Tasmania and are honoured to be recognised by the global industry and the International Whiskey and Spirits Competition in 2020."

Adds Lark Distilling Co. founder and global ambassador Bill Lark: "What an amazing and humbling honour to be nominated as one of the top four whisky distilleries in the world."

$8.85 million Capital Raise via Placement

On the 18th of September 2020 Lark has successfully raised A$8.85 million via an institutional placement priced at $1.10 per share which represented nil discount to the last traded price of $1.10 as at 16 September 2020. The proceeds raised under the Placement will be used to fund the inventory build of Lark's whisky under maturation to over 1.5m litres by the end of F22.

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Cashflow Highlights

Net operating activity cash outflows for the quarter of $1.83m were the result of a build-up of costs which had been deferred as part of COVID-19 government support measures. These included an outflow of $356k relating to PAYG deferrals and $788k for excise tax which had been held back since April. Cash inflows received from customers increased due to an uplift in product demand and sales volumes.

Net investing activity cash inflows for the quarter of $7k related to the to the completion of the Cambridge Column Still. The still will be used for production of the new whisky product line, the base alcohol for Forty Spotted Gin and Lark Sanitiser. This was offset by inflows received for disposal of non-current assets.

Net financing activity cash inflows of $8.29m were the result of the capital raise undertaken during the September quarter. The total funds received net of transactions costs was $8.4m. Other minor costs of $100k were incurred relating to truck and barrel finance repayments.

The related party payments of $394k reported in 6.1 of the Appendix 4C relate to the payment of non-executive Director fees and Executive Director Remuneration of $258k for the September quarter, as well as $136k to Seppeltsfield Wines, a company associated with Mr Warren Randall for casks used in the production process.

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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

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Name of entity

Lark Distilling Co. Ltd *(previously "Australian Whisky Holdings Limited")*

ABN	**Quarter ended ("current quarter")**
62 104 600 544	30 September 2020

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	2,979	2,979
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(2,570)	(2,570)
	(c) advertising and marketing	(368)	(368)
	(d) leased assets	-	-
	(e) staff costs	(1,070)	(1,070)
	(f) administration and corporate costs	(1,013)	(1,013)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(65)	(65)
1.6	Income taxes paid	(101)	(101)
1.7	Government grants and tax incentives	373	373
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,834)**	**(1,834)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire of for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(143)	(143)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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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	150	150
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**	**7**	**7**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,858	8,858
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	(447)	(447)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(101)	(101)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(17)	(17)
3.10	**Net cash from / (used in) financing activities**	**8,293**	**8,293**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,119	6,119
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,834)	(1,834)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	7	7

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)	8,293	8,293
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**12,585**	**12,585**

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	12,585	6,119
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)**	**12,585**	**6,119**

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	**394**
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	5,000	5,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	5,000	5,000

7.5	**Unused financing facilities available at quarter end**	0

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.

Quality Life loan facility of $5M is a secured loan of 4% per annum plus RBA published cash rate paid quarterly. This loan is an interest only loan with principal due at end of the 5 year term.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,834)
8.2	Cash and cash equivalents at quarter end (item 4.6)	12,585
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	12,585
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	6.8

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.

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

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

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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: 23 October 2020
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Authorised by: The Board
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(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.

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