

**Lark Distilling Co. Ltd**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	Lark Distilling Co. Ltd
ABN:	62 104 600 544
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	91.0% to	7,293,930
Profit from ordinary activities after tax attributable to the owners of Lark Distilling Co. Ltd	up	n/a to	542,436
Profit for the half-year attributable to the owners of Lark Distilling Co. Ltd	up	n/a to	542,436
		Cents per share	Cents per share
Basic earnings / (loss) per share		0.92	(1.37)
Diluted earnings / (loss) per share		0.86	(1.37)

**Dividends**

There were no dividends paid, recommended or declared during the current financial period.

**Comments**

The profit for the group after providing for income tax and amounted to \$542,436 (31 December 2019: loss of \$743,321).

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>56.63</u>	<u>48.60</u>

**4. Control gained over entities**

Not applicable.

**5. Loss of control over entities**

Not applicable.

**6. Dividends**

**Current period**

There were no dividends paid, recommended or declared during the current financial period.

**Lark Distilling Co. Ltd**  
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**Half-year report**

*Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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**7. Details of associates and joint venture entities**

Not applicable.

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**8. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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**9. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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**10. Attachments**

*Details of attachments (if any):*

The Interim Report of Lark Distilling Co. Ltd for the half-year ended 31 December 2020 is attached.

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**11. Signed**

  
Signed \_\_\_\_\_

David Dearie  
Chairman

Date: 22 February 2021

**Lark Distilling Co. Ltd**

**ABN 62 104 600 544**

**Interim Report - 31 December 2020**

**Lark Distilling Co. Ltd**  
**Corporate directory**  
**31 December 2020**

Directors

Mr David Dearie (Chairman)  
Mr Geoff Bainbridge (Managing Director)  
Mr Warren Randall (Non-Executive Director)  
Mr Laurent Ly (Non-Executive Director)  
Ms. Laura McBain (Non-Executive Director)

Company secretary

Melanie Leydin

Chief Financial Officer

Alex Aleksic

Registered office

Level 1  
30 Argyle Street  
Hobart TAS 7000

Principal place of business

Level 1  
30 Argyle Street  
Hobart TAS 7000

Auditor

Deloitte  
Level 8  
22 Elizabeth Street  
Hobart TAS 7000

Stock exchange listing

Lark Distilling Co. Ltd shares are listed on the Australian Securities Exchange (ASX code: LRK)

**Lark Distilling Co. Ltd**  
**Directors' report**  
**31 December 2020**

The directors present their report, together with the interim financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Lark Distilling Co. Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

**Directors**

The following persons were directors of Lark Distilling Co. Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Geoff Bainbridge (Managing Director)  
Mr David Dearie (Chairman)  
Mr Warren Randall (Non-Executive Director)  
Mr Laurent Ly (Non-Executive Director)  
Ms. Laura McBain (Non-Executive Director)

**Principal activities**

The principal activities of the Group during the half year ended 31 December 2020 were in the distilling, marketing, sales and distribution of Australian crafted whisky and gin products. This primarily includes the management of the operations of the Lark, Nant, and Forty Spotted Distilleries.

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Review of operations**

The profit for the Group after providing for income tax amounted to \$542,436 (31 December 2019: loss of \$743,321).

Sales revenue during the half was 91% higher than the previous corresponding period. The Company achieved strong growth across online, National Key Accounts (NKA) and hospitality sales channels.

Key highlights:

- Strong Lark sales momentum with first Australian Whisky to Exceed \$100,000 of retail sales in one week in a leading National Key Accounts.
- Strong E-Commerce growth (5x YoY) mainly driven by Lark Limited Release Programme.
- November saw a record for E-Commerce sales (\$488,000) with the launch of Rare Cask PARA50.
- December was the largest month period, in the company's history, both in revenue and units shipped
- On the 18th of September 2020 Lark successfully raised \$8.85 million via an institutional placement. Proceeds raised under the Placement will be used to further Lark's whisky under maturation to over 1.5 million litres by the end of FY22.

The EBT profit of \$542,436 represents an improvement of \$1,285,757 over the previous corresponding period and represents a shift of the business towards profitability.

Litres under maturation during the half increased by 106,236 or 14.9% since 30 June 2020 with the Company now holding whisky inventories that at maturation would be valued at \$113 million.

Whisky production will increase materially in H2 as the full impact of outsourcing takes effect and it is anticipated that at the end of FY21 the Company will be holding in excess of 1 million litres of whisky under maturation.

Lark Distilling Co. - Litres of Whisky Maturing as at 31 December 2020 at 43% ABV			
FY Maturing	Litres of Whisky at Maturation at 43% ABV	Liquidation Value Today	Net Sales Value at Maturation Date
2021	54,712	\$ 7,604,938	\$ 7,604,938
2022	54,939	\$ 6,646,044	\$ 7,636,505
2023	137,745	\$ 13,488,956	\$ 19,146,544
2024	126,474	\$ 10,141,376	\$ 17,579,836
2025	127,748	\$ 7,760,087	\$ 17,756,973
2026+	315,932	\$ 11,057,609	\$ 43,914,506
<b>Grand Total</b>	<b>817,549</b>	<b>\$ 56,699,010</b>	<b>\$ 113,639,301</b>

<b>Value at Cost Dec 2020</b>	<b>\$18,136,858</b>
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The maturation market value is based on an estimated future net sales value which is equal to what the Group's net sales value achieved today. The market value presented has an inherent risk in that the estimated net sales value will be achieved on maturation, therefore consideration needs to be given to market conditions at that point in time

#### Financial Position

The net assets of Lark remain strong at \$46.8 million as at 31 December 2020 (an increase of \$9.4 million from 30 June 2020). This increase is largely due to the following:

Net profit for year of \$542,436; driven by the following:

- Gross profit of \$3.79 million;
- Other income of \$0.46 million;
- Operating expenses of \$3.53 million;
- Net finance costs of \$0.19 million.

Lark's net assets were strengthened via institutional placement of \$8.85 million completed in September 2020.

Lark's working capital, being current assets less current liabilities, is \$16.4 million at 31 December 2020 (30 June 2020: \$9.0 million).

#### Significant changes in the state of affairs

On 3 July 2020 Lark Distilling Co. announced the appointment of Alex Aleksic as the Chief Financial Officer of the group.

On 18 September 2020, Lark Distilling Co. successfully raised \$8.85 million via an institutional placement of shares. Total shares issued as part of this placement were 8,052,334 at a price of \$1.10 per share. The proceeds raised under the placement will be used to fund the inventory build of Lark's whisky under maturation. The new shares issued were settled on 23 September 2020

There were no other significant changes in the state of affairs of the group during the financial half-year.

#### Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Lark Distilling Co. Ltd**  
**Directors' report**  
**31 December 2020**

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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David Dearie  
Chairman

22 February 2021

The Board of Directors  
Lark Distilling Co Ltd  
Level 1, 30 Argyle Street  
Hobart TAS 7000

22 February 2021

Dear Board Members

### **Auditor's Independence Declaration to Lark Distilling Co Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Lark Distilling Co Ltd.

As lead audit partner for the review of the financial report of Lark Distilling Co Ltd for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



Carl Harris  
Partner  
Chartered Accountants

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**Lark Distilling Co. Ltd**  
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**31 December 2020**

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**Lark Distilling Co. Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**

	Note	Consolidated 31 December 2020 \$	31 December 2019 \$
<b>Revenue</b>			
Sales revenue		7,293,930	3,818,689
Cost of sales		<u>(3,499,726)</u>	<u>(1,692,628)</u>
Gross profit		<u>3,794,204</u>	<u>2,126,061</u>
Other income	3	461,783	137,197
<b>Expenses</b>			
Selling and distribution expenses		(663,937)	(304,655)
Administration expenses		(1,283,382)	(1,291,384)
Employee benefits expense		(1,506,433)	(1,322,721)
Depreciation and amortisation expense	9,10,11	<u>(75,420)</u>	<u>(39,245)</u>
<b>Operating profit/(loss)</b>		726,815	(694,747)
Finance income		1,683	17,715
Finance costs		<u>(186,062)</u>	<u>(66,289)</u>
<b>Profit/(loss) before income tax expense</b>		542,436	(743,321)
Income tax expense		<u>-</u>	<u>-</u>
<b>Profit/(loss) after income tax expense for the half-year attributable to the owners of Lark Distilling Co. Ltd</b>		542,436	(743,321)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>378</u>	<u>(58)</u>
Other comprehensive income for the half-year, net of tax		<u>378</u>	<u>(58)</u>
<b>Total comprehensive income for the half-year attributable to the owners of Lark Distilling Co. Ltd</b>		<u><u>542,814</u></u>	<u><u>(743,379)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	16	0.92	(1.37)
Diluted earnings per share	16	0.86	(1.37)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Lark Distilling Co. Ltd**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

	Note	Consolidated 31 December 2020 \$	30 June 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	11,924,983	6,119,362
Trade and other receivables	6	1,508,085	1,532,937
Inventories	7	5,220,953	4,950,050
Prepaid assets		256,435	21,244
<b>Total current assets</b>		<u>18,910,456</u>	<u>12,623,593</u>
<b>Non-current assets</b>			
Inventories	8	15,975,990	14,329,411
Property, plant and equipment	9	8,170,126	7,907,617
Right-of-use assets	10	183,054	206,930
Intangibles	11	11,203,344	11,229,315
<b>Total non-current assets</b>		<u>35,532,514</u>	<u>33,673,273</u>
<b>Total assets</b>		<u>54,442,970</u>	<u>46,296,866</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,973,310	3,054,055
Financial liabilities		268,125	423,612
Employee benefits		221,054	150,263
<b>Total current liabilities</b>		<u>2,462,489</u>	<u>3,627,930</u>
<b>Non-current liabilities</b>			
Trade and other payables		-	17,247
Borrowings	12	5,000,000	5,000,000
Financial liabilities		151,595	176,060
Employee benefits		42,752	98,531
<b>Total non-current liabilities</b>		<u>5,194,347</u>	<u>5,291,838</u>
<b>Total liabilities</b>		<u>7,656,836</u>	<u>8,919,768</u>
<b>Net assets</b>		<u>46,786,134</u>	<u>37,377,098</u>
<b>Equity</b>			
Issued capital	13	57,886,788	49,475,985
Reserves		999,509	543,712
Accumulated losses		<u>(12,100,163)</u>	<u>(12,642,599)</u>
<b>Total equity</b>		<u>46,786,134</u>	<u>37,377,098</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Lark Distilling Co. Ltd**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Foreign Exchange Reserves</b> <b>\$</b>	<b>Share based payment Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2019	49,361,969	47,641	-	(11,370,303)	38,039,307
Loss after income tax expense for the half-year	-	-	-	(743,321)	(743,321)
Other comprehensive income for the half-year, net of tax	-	(58)	-	-	(58)
Total comprehensive income for the half-year	-	(58)	-	(743,321)	(743,379)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 17)	-	-	205,405	-	205,405
<b>Balance at 31 December 2019</b>	<b>49,361,969</b>	<b>47,583</b>	<b>205,405</b>	<b>(12,113,624)</b>	<b>37,501,333</b>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Foreign Exchange Reserves</b> <b>\$</b>	<b>Share based payment Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2020	49,475,985	48,088	495,624	(12,642,599)	37,377,098
Profit after income tax expense for the half-year	-	-	-	542,436	542,436
Other comprehensive income for the half-year, net of tax	-	378	-	-	378
Total comprehensive income for the half-year	-	378	-	542,436	542,814
Contributions of equity, net of transaction costs (note 13)	8,410,803	-	-	-	8,410,803
Share-based payments (note 17)	-	-	455,419	-	455,419
<b>Balance at 31 December 2020</b>	<b>57,886,788</b>	<b>48,466</b>	<b>951,043</b>	<b>(12,100,163)</b>	<b>46,786,134</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

**Lark Distilling Co. Ltd**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		7,128,908	3,157,907
Payments to suppliers and employees		(8,207,374)	(3,040,315)
Purchase of inventory		(1,458,648)	(2,025,579)
Interest received		1,721	31,983
Interest and other finance costs paid		(73,895)	(66,289)
Government grants and tax incentives received		569,092	-
		<u>(2,040,196)</u>	<u>(1,942,293)</u>
<b>Net cash used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	9	(511,600)	(382,832)
Payments for intangibles	11	-	(30,368)
Proceeds from sale of property, plant and equipment	9	-	6,819
Proceeds from disposal of other non-current assets		150,000	-
		<u>(361,600)</u>	<u>(406,381)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	13	8,857,567	-
Share issue transaction costs		(446,764)	-
Proceeds from borrowings		-	595,364
Repayment of borrowings		(170,406)	(697,755)
Repayment of lease liabilities		(32,980)	-
		<u>8,207,417</u>	<u>(102,391)</u>
<b>Net cash from/(used in) financing activities</b>			
Net increase/(decrease) in cash and cash equivalents		5,805,621	(2,451,065)
Cash and cash equivalents at the beginning of the financial half-year		6,119,362	6,731,306
<b>Cash and cash equivalents at the end of the financial half-year</b>		<u><u>11,924,983</u></u>	<u><u>4,280,241</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **Going concern**

In the six months to 31 December 2020, the Group has:

- Generated a profit after tax of \$542,436 (6 months ended 31 December 2019: loss of \$743,321) and
- Used cash in operating activities of \$2,040,196 (6 months ended 31 December 2019: \$1,942,293).

As at 31 December 2020, the Group had a cash and cash equivalents of \$11,924,983 (31 December 2019: \$4,280,421).

The directors approved a cash flow forecast which included further expansionary activities in the production of new-make spirit for the FY2021 year which will absorb cash throughout FY2021 and beyond. Due to having no current contracted or legal obligations to increase production or undertake expansionary capital expenditure, the entity has the ability to undertake mitigating actions in response to any cash flow uncertainties or potential risks that may arise. Such actions include ceasing or reducing the level of expansionary whisky production, and the deferral or suspension of non-critical capital expenditure. At the date of this report and having considered the current cash balance, cash flow forecasts and mitigating plans, the directors are confident that the Group will be able to continue as a going concern.

## **Note 2. Operating segments**

### **Identification of reportable operating segments**

The group is organised into three operating segments: whisky, gin, and other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The operations of the Group in management of equity investments is consistent with the Groups' strategy to continue its investment and growth in both whisky ("Lark" as the hero brand) and gin ("Forty Spotted Gin"). Whisky and gin are assessed as separate segments by the CODM due to the differences in production processes, inventory life cycle, market categories, working capital requirements and financial contribution to the Group. The "other" segment is function's that attribute to Group results but are not directly attributable to whisky or gin segments. Operating segments are therefore split into the three segments; whisky, gin and other.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 2. Operating segments (continued)**

*Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Major customers*

There were no major customers during the half year ended 31 December 2020 (December 2019: approximately 30% of the group's external revenue was derived from sales to Proof & Company).

*Operating segment information*

**Consolidated - 31 December 2020**

	<b>Whisky</b>	<b>Gin</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Sales to external customers	5,509,677	1,288,476	495,777	7,293,930
Other revenue	461,783	-	-	461,783
Interest income	1,683	-	-	1,683
<b>Total revenue</b>	<u>5,973,143</u>	<u>1,288,476</u>	<u>495,777</u>	<u>7,757,396</u>
<b>EBITDA</b>				
Finance costs	(186,062)	-	-	(186,062)
Depreciation and amortisation	(60,336)	(11,313)	(3,771)	(75,420)
<b>Profit/(loss) before income tax expense</b>	<u>507,580</u>	<u>(114,189)</u>	<u>149,045</u>	<u>542,436</u>
Income tax expense				-
<b>Profit after income tax expense</b>				<u>542,436</u>

**Consolidated - 31 December 2019**

	<b>Whisky</b>	<b>Gin</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Sales to external customers	2,422,680	937,174	458,835	3,818,689
Other revenue	137,197	-	-	137,197
Interest income	17,715	-	-	17,715
<b>Total revenue</b>	<u>2,577,592</u>	<u>937,174</u>	<u>458,835</u>	<u>3,973,601</u>
<b>EBITDA</b>				
Finance costs	(293,380)	(207,370)	(137,037)	(637,787)
Depreciation and amortisation	(66,289)	-	-	(66,289)
	(25,509)	(7,849)	(5,887)	(39,245)
<b>Loss before income tax expense</b>	<u>(385,178)</u>	<u>(215,219)</u>	<u>(142,924)</u>	<u>(743,321)</u>
Income tax expense				-
<b>Loss after income tax expense</b>				<u>(743,321)</u>

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
Other income	-	137,197
Government grant income	351,000	-
R&D Grant income	10,783	-
Excise rebates received	100,000	-
	<u>461,783</u>	<u>137,197</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 4. Loss before income tax expense**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Loss before income tax determined after:</b>		
Cost of goods sold	(3,499,726)	(1,692,628)
Directors and consulting expenses	(521,235)	(604,160)
Selling and distribution expenses	(663,936)	(304,665)
Legal Fees	(64,636)	(175,111)
Occupancy costs	(150,584)	(97,803)
Transport, travel and entertainment	(31,782)	(58,680)
	<u>(4,931,899)</u>	<u>(2,933,047)</u>

**Note 5. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Petty Cash	2,410	3,767
Cash at bank	11,922,573	2,072,194
Cash on deposit	-	4,043,401
	<u>11,924,983</u>	<u>6,119,362</u>

**Note 6. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,151,256	1,228,265
Other receivables	310,297	279,376
Provision for doubtful debts	(7,603)	(20,828)
Deposits paid	54,135	46,124
	<u>1,508,085</u>	<u>1,532,937</u>



**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 7. Current assets - inventories**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Raw materials - at cost	1,803,707	1,486,300
Work in progress - at cost	834,635	784,961
Finished goods - at cost	420,236	346,094
Inventory in casks	2,162,375	2,332,695
	<u>5,220,953</u>	<u>4,950,050</u>

**Note 8. Non-current assets - inventories**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Inventory in casks	<u>15,975,990</u>	<u>14,329,411</u>

Non-current inventory represents whisky in casks that is expected to be maturing for at least a further 12 months. The company does not expect these casks to be decanted or sold within the next 12 months.

**Note 9. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Land and building	4,564,644	4,564,644
Less: Accumulated depreciation and impairment	(529,683)	(529,683)
	<u>4,034,961</u>	<u>4,034,961</u>
Building improvements - at cost	523,017	166,885
Less: Accumulated depreciation	(30,582)	(11,421)
	<u>492,435</u>	<u>155,464</u>
Capital WIP	<u>690,117</u>	<u>845,250</u>
Plant, machinery & production assets	3,840,351	3,689,468
Less: Accumulated depreciation	(954,021)	(888,931)
	<u>2,886,330</u>	<u>2,800,537</u>
Motor vehicles - at cost	154,044	154,044
Less: Accumulated depreciation	(87,761)	(82,639)
	<u>66,283</u>	<u>71,405</u>
	<u>8,170,126</u>	<u>7,907,617</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 9. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Land and building \$</b>	<b>Building improvement \$</b>	<b>Plant machinery and production assets \$</b>	<b>Motor Vehicles \$</b>	<b>Capital WIP \$</b>	<b>Total \$</b>
Balance at 1 July 2020	4,034,961	155,463	2,800,539	71,405	845,249	7,907,617
Additions	-	2,361	210,101	-	198,643	411,105
Depreciation capitalised to inventory	-	-	(102,822)	(3,294)	-	(106,116)
Transfers in/(out)	-	353,775	-	-	(353,775)	-
Depreciation expense	-	(19,165)	(21,488)	(1,827)	-	(42,480)
Balance at 31 December 2020	<u>4,034,961</u>	<u>492,434</u>	<u>2,886,330</u>	<u>66,284</u>	<u>690,117</u>	<u>8,170,126</u>

**Note 10. Non-current assets - right-of-use assets**

	<b>Consolidated 31 December 2020 \$</b>	<b>30 June 2020 \$</b>
Land and buildings - right-of-use	238,766	238,766
Less: Accumulated depreciation	<u>(55,712)</u>	<u>(31,836)</u>
	<u>183,054</u>	<u>206,930</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Land and buildings right-of-use \$</b>	<b>Total \$</b>
Balance at 1 July 2020	206,930	206,930
Depreciation expense	<u>(23,876)</u>	<u>(23,876)</u>
Balance at 31 December 2020	<u>183,054</u>	<u>183,054</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 11. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	10,934,839	10,934,839
Other intangible assets - at cost	444,845	461,752
Less: Accumulated amortisation	(176,340)	(167,276)
	<u>268,505</u>	<u>294,476</u>
	<u><u>11,203,344</u></u>	<u><u>11,229,315</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Goodwill \$</b>	<b>Other intangibles \$</b>	<b>Total \$</b>
Balance at 1 July 2020	10,934,839	294,476	11,229,315
Disposals	-	(16,907)	(16,907)
Amortisation expense	-	(9,064)	(9,064)
Balance at 31 December 2020	<u>10,934,839</u>	<u>268,505</u>	<u>11,203,344</u>

**Note 12. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Borrowings - Quality Life Pty Ltd	<u>5,000,000</u>	<u>5,000,000</u>

The key terms of the loan are as follows:

- Facility amount up to AUD \$5,000,000 (fully drawn as at 30 June 2020);
- Term is 5 years after initial drawdown (initial drawdown in March 2020);
- Interest rate of 4% per annum plus the RBA published cash rate paid quarterly;
- Interest only loan with principal due at the end of the term

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Borrowings - Quality Life Pty Ltd	<u>5,000,000</u>	<u>5,000,000</u>

*Assets pledged as security*

The loan is secured by a registered security interest in real property and whisky held by the Group.

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 13. Equity - issued capital**

	Consolidated			
	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$	30 June 2020 \$
Ordinary shares - fully paid	62,505,212	54,452,878	57,886,788	49,475,985

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	54,452,878		49,475,985
Issue of shares	23 September 2020	8,052,334	\$1.10000	8,857,567
Transactions costs for period		-	\$0.00000	(446,764)
Balance	31 December 2020	<u>62,505,212</u>		<u>57,886,788</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 14. Related party transactions**

During the period, the Group made purchases amounting to \$192,286 (December 2019: \$67,056) from an entity associated with Warren Randall (Non-Executive Director). These transactions were for the purchase of wooden barrels from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282) for the Group to use in its' production process of whisky.

**Note 15. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Note 16. Earnings per share**

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
Profit/(loss) after income tax attributable to the owners of Lark Distilling Co. Ltd	<u>542,436</u>	<u>(743,321)</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 16. Earnings per share (continued)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share*	58,785,384	54,352,648
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	750,249	-
Performance rights	3,293,332	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>62,828,965</u>	<u>54,352,648</u>
	Cents	Cents
Basic earnings / (loss) per share	0.92	(1.37)
Diluted earnings per share	0.86	(1.37)

\* Calculations for the weighted average number of shares for the 31 December 2019 period are inclusive of an adjustment to account for the 30-for-1 share consolidation completed in the financial year ending 30 June 2020.

**Note 17. Share-based payments**

A share option plan has been established by the group and approved by shareholders at a general meeting, whereby the group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options granted under the plan:

**31 December 2020**

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
22/05/2018	30/05/2021	\$0.90000	138,046	-	-	-	138,046
22/05/2018	30/05/2021	\$1.14000	138,046	-	-	-	138,046
22/05/2018	30/05/2021	\$1.35000	138,046	-	-	-	138,046
22/10/2018	27/11/2020	\$0.96000	103,824	-	-	(103,824)	-
28/11/2017	31/07/2021	\$2.25000	141,667	-	-	(38,891)	102,776
02/11/2020	31/12/2022	\$2.25000	-	233,335	-	-	233,335
			659,629	233,335	-	(142,715)	750,249

**31 December 2019**

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
31/12/2017	30/11/2019	\$0.06050	14,983,337	-	-	(14,983,337)	-
31/12/2017	17/10/2019	\$0.03758	3,724,975	-	-	(3,724,975)	-
22/05/2018	30/05/2021	\$0.03000	4,141,380	-	-	-	4,141,380
22/05/2018	30/05/2021	\$0.03750	4,141,380	-	-	-	4,141,380
22/05/2018	30/05/2021	\$0.04500	4,141,380	-	-	-	4,141,380
22/10/2018	01/11/2020	\$0.03210	3,115,265	-	-	-	3,115,265
28/11/2017	31/07/2021	\$0.07500	4,250,000	-	-	-	4,250,000
			38,497,717	-	-	(18,708,312)	19,789,405

The figures for 31 December 2019 in the table above do not consider the effects of the 30 for 1 consolidation completed in April 2020.

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 17. Share-based payments (continued)**

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 0.9 years (December 2019: 1.4 years).

The options issued during the period were calculated using the following inputs in a Hoadley ESO2 option valuation model:

Item	Range
Expected volatility (%)	65%
Risk free interest rate (%)	0.14%
Expected life of options (years)	2 years
Expected dividends	Nil
Exercise price	\$2.25
Share price at grant date (\$)	\$1.35

Set out below are summaries of performance rights granted under the plan:

**31 December 2020**

Grant date	Expiry date	Vesting hurdle	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
25/11/2019	31/12/2026	\$1.35000	150,000	-	-	-	150,000
25/11/2019	31/12/2026	\$1.65000	110,000	-	-	-	110,000
25/11/2019	31/12/2026	\$1.95000	130,000	-	-	-	130,000
25/11/2019	31/12/2026	\$2.25000	950,000	-	-	-	950,000
25/11/2019	31/12/2026	\$2.55000	1,500,000	-	-	(226,666)	1,273,334
16/03/2020	31/12/2026	\$1.65000	200,000	-	-	-	200,000
16/03/2020	31/12/2026	\$1.95000	180,000	-	-	-	180,000
16/03/2020	31/12/2026	\$2.25000	160,000	-	-	-	160,000
16/03/2020	31/12/2026	\$2.55000	140,000	-	-	-	140,000
			<u>3,520,000</u>	<u>-</u>	<u>-</u>	<u>(226,666)</u>	<u>3,293,334</u>

**31 December 2019**

Grant date	Expiry date	Vesting hurdle	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
25/11/2019	31/12/2026	\$0.04500	-	4,500,000	-	-	4,500,000
25/11/2019	31/12/2026	\$0.05500	-	3,300,000	-	-	3,300,000
25/11/2019	31/12/2026	\$0.06500	-	3,900,000	-	-	3,900,000
25/11/2019	31/12/2026	\$0.07500	-	28,500,000	-	-	28,500,000
25/11/2019	31/12/2026	\$0.08000	-	45,000,000	-	-	45,000,000
			<u>-</u>	<u>85,200,000</u>	<u>-</u>	<u>-</u>	<u>85,200,000</u>

The figures for 31 December 2019 in the table above do not consider the effects of the 30 for 1 consolidation completed in April 2020.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 6 years (December 2019: 7 years).

**Note 18. General information**

The financial statements cover Lark Distilling Co. Ltd as a group consisting of Lark Distilling Co. Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 18. General information (continued)**

Lark Distilling Co. Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Lark Distilling Co. Limited  
Level 1, 30 Argyle St  
Hobart TAS 7000 Australia

Its principal places of business are:

Lark Distilling Co. Limited  
Australian Whisky Holdings Bothwell Pty Ltd  
Australian Whisky Holdings Services Pty Ltd  
Australian Whisky Holdings Management Pty Ltd  
Level 1, 30 Argyle St  
Hobart TAS 7000

Aowei Liquor Industries Beijing Limited  
Beijing PRC 100022

Australian Whisky Holdings (HK) Limited  
Kowloon, Hong Kong  
Lark Distillery Pty Ltd  
20 Denholms Road, Cambridge, TAS 7170

A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2021.

**Lark Distilling Co. Ltd**  
**Directors' declaration**  
**31 December 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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David Dearie  
Chairman

22 February 2021



## Independent Auditor's Review Report to the Members of Lark Distilling Co Ltd

### *Conclusion*

We have reviewed the half-year financial report of Lark Distilling Co Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, and consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Directors' Responsibilities for the Half-year Financial Report*

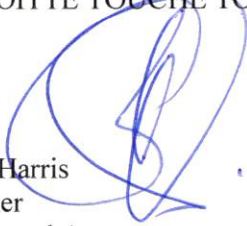
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu  
DELOITTE TOUCHE TOHMATSU



Carl Harris  
Partner  
Chartered Accountants  
Hobart, 22 February 2021

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