

**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 2021
Previous period:	For the half-year ended 31 December 2020

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

			\$
Revenues from ordinary activities	up	77.7% to	12,962,705
Profit from ordinary activities after tax attributable to the owners of Lark Distilling Co. Ltd	down	86.4% to	73,819
Profit for the half-year attributable to the owners of Lark Distilling Co. Ltd	down	86.4% to	73,819
		Cents per share	Cents per share
Basic earnings / (loss) per share		0.11	0.92
Diluted earnings / (loss) per share		0.10	0.86

*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 \$73,819 (31 December 2020: \$542,436).

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>125.62</u>	<u>56.63</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.

*Previous period*

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

**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 2021 is attached.

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**11. Signed**

Signed 

Date: 28 February 2022

David Dearie  
Chairman

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**Lark Distilling Co. Ltd**

**ABN 62 104 600 544**

**Interim Report - 31 December 2021**

**Lark Distilling Co. Ltd**  
**Corporate directory**  
**31 December 2021**

Directors

Mr David Dearie (Non-Executive Chairman)  
Mr Geoff Bainbridge (Managing Director) - Resigned on 16 February 2022  
Mr Warren Randall (Non-Executive Director)  
Ms. Laura McBain (Non-Executive Director) - appointed interim Managing Director on  
16 February 2022

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 2021**

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 2021.

**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 David Dearie (Non-Executive Chairman)  
Mr Geoff Bainbridge (Managing Director) - Resigned on 16 February 2022  
Mr Warren Randall (Non-Executive Director)  
Ms. Laura McBain (Non-Executive Director) - appointed interim Managing Director on 16 February 2022

**Principal activities**

The principal activities of the Group during the half year ended 31 December 2021 were in the in the production, marketing, sale and distribution of Australian craft spirits.

**Dividends**

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

**Significant changes in the state of affairs**

On 18 October Lark Distilling Co. Ltd announced that it has entered into a binding agreement for the acquisition of Kernke Family Shene Estate Pty Ltd, the owner of the Pontville Distillery and Estate ('the Acquisition'), the construction of a new 1 million litre distillery on the acquired land and the acceleration of Lark's export strategy.

On 19 October 2021, Lark Distilling Co. Ltd successfully raised \$46.5 million through the issue of approximately 9.3 million new shares via an institutional placement.

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**

Mr Geoff Bainbridge, Managing Director and CEO, resigned on 16 February 2022 and Ms Laura McBain, Non-Executive Director, assumed the role of interim Managing Director.

On 2 February 2022 the acquisition of Pontville Distillery and Estate was completed.

No other matter or circumstance has arisen since 31 December 2021 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.

**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

28 February 2022

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

28 February 2022

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 2021, 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 2021**

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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 2021**

	Note	Consolidated 31 December 2021 \$	31 December 2020 \$
<b>Revenue</b>			
Sales revenue		12,962,705	7,293,930
Cost of sales		<u>(6,545,304)</u>	<u>(3,499,726)</u>
Gross profit		<u>6,417,401</u>	<u>3,794,204</u>
Other income	3	410,324	461,783
<b>Expenses</b>			
Selling and distribution expenses		(846,318)	(663,937)
Administration expenses		(2,564,874)	(1,283,382)
Employee benefits expense		(2,377,365)	(1,506,433)
Depreciation and amortisation expense	9,10,11	(158,068)	(75,420)
Costs relating to acquisition and equity raise		<u>(339,276)</u>	<u>-</u>
<b>Operating profit</b>		541,824	726,815
Finance income		1,090	1,683
Finance costs		<u>(111,262)</u>	<u>(186,062)</u>
<b>Profit before income tax expense</b>		431,652	542,436
Income tax expense		<u>(357,833)</u>	<u>-</u>
<b>Profit after income tax expense for the half-year attributable to the owners of Lark Distilling Co. Ltd</b>		73,819	542,436
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>2</u>	<u>378</u>
Other comprehensive income for the half-year, net of tax		<u>2</u>	<u>378</u>
<b>Total comprehensive income for the half-year attributable to the owners of Lark Distilling Co. Ltd</b>		<u>73,821</u>	<u>542,814</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	16	0.11	0.92
Diluted earnings per share	16	0.10	0.86

*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 2021**

**Assets**

**Current assets**

	Note	Consolidated 31 December 2021 \$	30 June 2021 \$
Cash and cash equivalents	5	56,215,469	7,645,874
Trade and other receivables	6	4,953,855	2,394,945
Inventories	7	9,719,928	7,840,235
Prepaid assets		905,314	708,089
<b>Total current assets</b>		<u>71,794,566</u>	<u>18,589,143</u>

**Non-current assets**

Inventories	8	22,060,642	17,981,665
Property, plant and equipment	9	9,118,408	8,434,320
Right-of-use assets	10	1,728,287	1,643,857
Intangibles	11	11,216,544	11,224,514
Deferred tax		3,307,902	2,501,104
<b>Total non-current assets</b>		<u>47,431,783</u>	<u>41,785,460</u>

**Total assets**

119,226,349    60,374,603

**Liabilities**

**Current liabilities**

Trade and other payables		3,787,544	2,927,061
Financial liabilities		177,457	214,427
Employee benefits		335,783	262,594
<b>Total current liabilities</b>		<u>4,300,784</u>	<u>3,404,082</u>

**Non-current liabilities**

Borrowings	12	5,000,000	5,000,000
Financial liabilities		1,585,227	1,534,163
Deferred tax		669,456	-
Employee benefits		39,362	38,092
<b>Total non-current liabilities</b>		<u>7,294,045</u>	<u>6,572,255</u>

**Total liabilities**

11,594,829    9,976,337

**Net assets**

107,631,520    50,398,266

**Equity**

Issued capital	13	115,051,646	58,498,886
Reserves		1,707,179	1,100,504
Accumulated losses		(9,127,305)	(9,201,124)

**Total equity**

107,631,520    50,398,266

*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 2021**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Foreign Exchange Reserves \$</b>	<b>Share based payment Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</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	8,410,803	-	-	-	8,410,803
Share-based payments (note 17)	-	-	455,419	-	455,419
Balance at 31 December 2020	<u>57,886,788</u>	<u>48,466</u>	<u>951,043</u>	<u>(12,100,163)</u>	<u>46,786,134</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Foreign Exchange Reserves \$</b>	<b>Share based payment Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2021	58,498,886	48,464	1,052,040	(9,201,124)	50,398,266
Profit after income tax expense for the half-year	-	-	-	73,819	73,819
Other comprehensive income for the half-year, net of tax	-	2	-	-	2
Total comprehensive income for the half-year	-	2	-	73,819	73,821
Contributions of equity, net of transaction costs (note 13)	56,552,760	-	-	-	56,552,760
Share-based payments (note 17)	-	-	606,673	-	606,673
Balance at 31 December 2021	<u>115,051,646</u>	<u>48,466</u>	<u>1,658,713</u>	<u>(9,127,305)</u>	<u>107,631,520</u>

*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 2021**

	Note	Consolidated 31 December 2021 \$	31 December 2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		11,724,519	7,128,908
Payments to suppliers and employees		(14,995,903)	(8,207,374)
Purchase of inventory		(2,885,026)	(1,458,648)
Interest received		1,090	1,721
Interest and other finance costs paid		(128,951)	(73,895)
Government grants and tax incentives received		353,324	569,092
		<u>(5,930,947)</u>	<u>(2,040,196)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	9	(1,305,742)	(511,600)
Proceeds from disposal of other non-current assets		-	150,000
		<u>(1,305,742)</u>	<u>(361,600)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	13	57,897,503	8,857,567
Share issue transaction costs		(1,904,520)	(446,764)
Proceeds from borrowings		5,000,000	-
Repayment of borrowings		(5,088,855)	(170,406)
Repayment of lease liabilities		(97,844)	(32,980)
		<u>55,806,284</u>	<u>8,207,417</u>
Net increase in cash and cash equivalents		48,569,595	5,805,621
Cash and cash equivalents at the beginning of the financial half-year		7,645,874	6,119,362
Cash and cash equivalents at the end of the financial half-year		<u>56,215,469</u>	<u>11,924,983</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 2021 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 2021 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 2021, the Group has:

- Generated a profit after tax of \$73,819 (6 months ended 31 December 2020: profit of \$542,436) and
- Used cash in operating activities of \$5,665,713 (6 months ended 31 December 2020: \$2,040,196).

As at 31 December 2021, the Group had a cash and cash equivalents of \$56,215,469 (31 December 2020: \$11,924,983) with \$38,711,463 committed for the settlement of the Pontville acquisition on 1 February 2022.

The directors approved a cash flow forecast which included further expansionary activities in the production of new-make spirit for the FY2022 year which will absorb cash throughout FY2022 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 2021**

**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 2021 (December 2020: there were no major customers during the half year).

*Operating segment information*

<b>Consolidated - 31 December 2021</b>	Whisky \$	Gin \$	Other \$	Total \$
<b>Revenue</b>				
Sales to external customers	9,435,669	3,176,740	350,296	12,962,705
Other revenue	325,605	81,401	3,318	410,324
Interest income	926	164	-	1,090
<b>Total revenue</b>	<b>9,762,200</b>	<b>3,258,305</b>	<b>353,614</b>	<b>13,374,119</b>
<b>EBITDA</b>	570,419	196,641	(66,078)	700,982
Finance costs	(90,122)	(16,689)	(4,451)	(111,262)
Depreciation and amortisation	(128,035)	(23,710)	(6,323)	(158,068)
<b>Profit/(loss) before income tax expense</b>	<b>352,262</b>	<b>156,242</b>	<b>(76,852)</b>	<b>431,652</b>
Income tax expense				(357,833)
<b>Profit after income tax expense</b>				<b>73,819</b>

<b>Consolidated - 31 December 2020</b>	Whisky \$	Gin \$	Other \$	Total \$
<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>	<b>5,973,143</b>	<b>1,288,476</b>	<b>495,777</b>	<b>7,757,396</b>
<b>EBITDA</b>	753,978	(102,876)	152,816	803,918
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>	<b>507,580</b>	<b>(114,189)</b>	<b>149,045</b>	<b>542,436</b>
Income tax expense				-
<b>Profit after income tax expense</b>				<b>542,436</b>

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Government grant income	-	351,000
R&D Grant income	57,000	10,783
Excise rebates received	350,006	100,000
Others	3,318	-
	<b>410,324</b>	<b>461,783</b>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

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

	31 December 2021	31 December 2020
	\$	\$
<b>Profit before income tax determined after:</b>		
Cost of goods sold	(6,545,304)	(3,499,726)
Directors and consulting expenses	(765,373)	(521,235)
Selling and distribution expenses	(846,319)	(663,936)
Legal Fees	(231,986)	(64,636)
Occupancy costs	(219,185)	(150,584)
Transport, travel and entertainment	(97,593)	(31,782)
	<u>(8,705,760)</u>	<u>(4,931,899)</u>

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

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>30 June 2021</b>
	\$	\$
Cash at bank	56,213,059	7,643,464
Petty Cash	2,410	2,410
	<u>56,215,469</u>	<u>7,645,874</u>

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

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>30 June 2021</b>
	\$	\$
Trade receivables	4,814,074	2,306,857
Other receivables	67,908	40,609
Expected future credit losses	(5,915)	(8,082)
Deposits paid	77,788	55,561
	<u>4,953,855</u>	<u>2,394,945</u>

**Note 7. Current assets - inventories**

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>30 June 2021</b>
	\$	\$
Raw materials - at cost	2,992,296	1,736,215
Work in progress - at cost	2,017,651	2,299,983
Finished goods - at cost	2,907,857	1,163,852
Inventory in casks	1,802,124	2,801,691
Provision for obsolescence	-	(161,506)
	<u>9,719,928</u>	<u>7,840,235</u>

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

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Inventory in casks	21,858,367	17,981,665
Finished goods	202,275	-
	<u>22,060,642</u>	<u>17,981,665</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>2021</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Land and building	4,564,644	4,564,644
Less: Impairment	(529,683)	(529,683)
	<u>4,034,961</u>	<u>4,034,961</u>
Building improvements - at cost	515,743	515,743
Less: Accumulated depreciation	(109,244)	(66,265)
	<u>406,499</u>	<u>449,478</u>
Plant, machinery & production assets	4,462,260	4,345,421
Less: Accumulated depreciation	(1,255,258)	(1,097,433)
	<u>3,207,002</u>	<u>3,247,988</u>
Motor vehicles - at cost	154,044	154,044
Less: Accumulated depreciation	(97,922)	(92,800)
	<u>56,122</u>	<u>61,244</u>
Capital work in progress	1,413,824	640,649
	<u>9,118,408</u>	<u>8,434,320</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>	Land and building \$	Building improvement \$	Plant machinery and production assets \$	Motor Vehicles \$	Capital WIP \$	Total \$
Balance at 1 July 2021	4,034,961	449,478	3,247,988	61,244	640,649	8,434,320
Additions	-	-	120,552	-	773,175	893,727
Disposals	-	-	(3,713)	-	-	(3,713)
Depreciation capitalised to inventory	-	-	(134,467)	(3,728)	-	(138,195)
Transfers in/(out)	-	-	-	-	-	-
Depreciation expense	-	(42,979)	(23,358)	(1,394)	-	(67,731)
Balance at 31 December 2021	<u>4,034,961</u>	<u>406,499</u>	<u>3,207,002</u>	<u>56,122</u>	<u>1,413,824</u>	<u>9,118,408</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2021</b>
	<b>2021</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	1,933,249	1,766,452
Less: Accumulated depreciation	<u>(204,962)</u>	<u>(122,595)</u>
	<u><u>1,728,287</u></u>	<u><u>1,643,857</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>	Land and buildings right-of-use \$	Total \$
Balance at 1 July 2021	1,643,857	1,643,857
Additions	166,797	166,797
Depreciation expense	<u>(82,367)</u>	<u>(82,367)</u>
Balance at 31 December 2021	<u><u>1,728,287</u></u>	<u><u>1,728,287</u></u>

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2021</b>
	<b>2021</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	10,934,839	10,934,839
Other intangible assets - at cost	474,845	474,845
Less: Accumulated amortisation	<u>(193,140)</u>	<u>(185,170)</u>
	<u>281,705</u>	<u>289,675</u>
	<u><u>11,216,544</u></u>	<u><u>11,224,514</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>	Goodwill \$	Other intangibles \$	Total \$
Balance at 1 July 2021	10,934,839	289,675	11,224,514
Disposals	-	-	-
Amortisation expense	<u>-</u>	<u>(7,970)</u>	<u>(7,970)</u>
Balance at 31 December 2021	<u><u>10,934,839</u></u>	<u><u>281,705</u></u>	<u><u>11,216,544</u></u>



**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2021</b>
	<b>2021</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loan- National Australia Bank	5,000,000	-
Loan - Quality Life Pty Ltd	-	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

During the period, the company secured a \$15 million debt facility from National Australia Bank as announced on ASX on 24 November 2021. Out of this facility, \$5m has been used during the quarter to retire previous \$5m loan from Quality Life Pty Ltd.

The key terms of the loan are as follows:

- Facility amount up to \$15,000,000 (\$5m drawn as at 31 December 2021);
- interest rate based on BBSY+ 1.97% per annum;
- Interest only loan with principal due at the end of the term
- Maturity on 31 January 2024;
- Key covenant - Minimum Interest Cover Ratio of 2.5 times, measured as 12-month period EBITDA divided by total interest payments ending on June 30th and thereafter yearly.

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2021</b>
	<b>2021</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loan- National Australia Bank	5,000,000	-
Loan - Quality Life Pty Ltd	-	5,000,000
	<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.

**Note 13. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December</b>	<b>30 June 2021</b>	<b>31 December</b>	<b>30 June 2021</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>74,678,018</u>	<u>63,069,350</u>	<u>115,051,646</u>	<u>58,498,886</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 13. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	63,069,350		58,498,886
Exercise of options	12 July 2021	20,000	\$3.23000	64,600
Exercise of options	12 July 2021	8,334	\$2.25000	18,752
Exercise of options	1 September 2021	8,334	\$2.25000	18,752
Placement of shares	22 October 2021	9,300,000	\$5.00000	46,500,000
Share purchase plan	22 November 2021	1,000,000	\$5.00000	5,000,000
Placement of shares to the Directors	23 December 2021	1,272,000	\$5.00000	6,360,000
Transactions costs for period		-	\$0.00000	(1,409,344)
Balance	31 December 2021	<u>74,678,018</u>		<u>115,051,646</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 \$330,491 (December 2020: \$192,286) 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**

Mr Geoff Bainbridge, Managing Director and CEO, resigned on 16 February 2022 and Ms Laura McBain, Non-Executive Director, assumed the role of interim Managing Director.

On 2 February 2022 the acquisition of Pontville Distillery and Estate was completed.

No other matter or circumstance has arisen since 31 December 2021 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 2021	31 December 2020
	\$	\$
Profit after income tax attributable to the owners of Lark Distilling Co. Ltd	<u>73,819</u>	<u>542,436</u>

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

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

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share*	66,969,712	58,785,384
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	208,334	750,249
Performance rights	3,179,082	3,293,332
	<u>70,357,128</u>	<u>62,828,965</u>
	Cents	Cents
Basic earnings per share	0.11	0.92
Diluted earnings per share	0.10	0.86

**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  
2021

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
28/11/2017	31/07/2021	\$0.00000	102,776	-	-	(102,776)	-
02/11/2020	31/12/2022	\$0.00000	233,335	-	(16,668)	(8,333)	208,334
			<u>336,111</u>	-	<u>(16,668)</u>	<u>(111,109)</u>	<u>208,334</u>

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
			<u>659,629</u>	<u>233,335</u>	-	<u>(142,715)</u>	<u>750,249</u>

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 1 year (December 2020: 0.9 year).

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

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

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

31 December  
2021

Grant date	Expiry date	Vesting hurdle	Balance at the start of the half-year	Granted	Converted	Expired/ forfeited/ other	Balance at the end of the half-year
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	650,000	-	-	-	650,000
25/11/2019	31/12/2026	\$2.55000	1,050,000	-	-	-	1,050,000
16/03/2020	31/12/2026	\$1.65000	133,333	-	-	-	133,333
16/03/2020	31/12/2026	\$1.95000	70,000	-	-	-	70,000
16/03/2020	31/12/2026	\$2.25000	63,333	-	-	-	63,333
16/03/2020	31/12/2026	\$2.55000	56,666	-	-	-	56,666
12/02/2021	31/12/2026	\$1.95000	80,000	-	-	(30,000)	50,000
12/02/2021	31/12/2026	\$2.25000	248,332	-	(45,000)	(35,000)	168,332
12/02/2021	31/12/2026	\$2.55000	256,668	-	(45,000)	(40,000)	171,668
25/06/2021	31/12/2026	\$2.25000	98,334	-	-	-	98,334
25/06/2021	31/12/2026	\$2.55000	176,666	-	-	-	176,666
18/10/2021	17/10/2022	\$0.00000	-	85,750	-	(7,750)	78,000
29/11/2021	31/12/2026	\$1.65000	-	50,000	-	-	50,000
29/11/2021	31/12/2026	\$1.95000	-	25,000	-	-	25,000
29/11/2021	31/12/2026	\$2.25000	-	-	45,000	-	45,000
29/11/2021	31/12/2026	\$2.55000	-	-	45,000	-	45,000
			3,123,332	160,750	-	(112,750)	3,171,332

\* For the 85,750 Performance Rights granted on 18 October 2021, the Rights will vest if the holder is continually employed by the Company, or continually serves as a Director of the Company, or both, to 17 October 2022. Upon vesting, the Rights will convert to ordinary shares automatically.

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
			3,520,000	-	-	(226,666)	3,293,334

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 5 years (December 2020: 6 years).

**Lark Distilling Co. Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

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

For the performance rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/10/2021	17/10/2022	\$5.06000	\$0.00000	55.00%	-	0.14%	\$5.060
29/11/2021	31/12/2026	\$5.06000	\$0.00000	55.00%	-	0.78%	\$4.840

**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. 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 28 February 2022.

**Lark Distilling Co. Ltd**  
**Directors' declaration**  
**31 December 2021**

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 2021 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



David Dearie  
Chairman

28 February 2022

## 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 2021, 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 2021 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.

# Deloitte.

## *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 2021 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, 28 February 2022