



LARK

SINGLE MALT WHISKY

LARK DISTILLING CO. LTD

Appendix 4E

PRELIMINARY FINAL REPORT

1. COMPANY DETAILS

Name of entity: Lark Distilling Co. Ltd
 ABN: 62 104 600 544
 Reporting period: For the year ended 30 June 2024
 Previous period: For the year ended 30 June 2023

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Analysis of number of equitable security holders by size of holding:

			\$
Revenues from ordinary activities	down	15.8% to	16,730,759
Loss from ordinary activities after tax attributable to the owners of Lark Distilling Co. Ltd	down	6.9% to	(4,567,915)
Loss for the year attributable to the owners of Lark Distilling Co. Ltd	down	6.9% to	(4,567,915)

Dividends

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

Comments

Refer to attached review of operations for commentary over the results for the period.

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	102.91	104.62

Net tangible assets excludes intangible assets, and right-of-use assets recognised under AASB 16 Leases.

4. CONTROL GAINED/LOST OVER ENTITIES

Not applicable.

5. 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.



LARK

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6. DIVIDEND REINVESTMENT PLANS

Not applicable.

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

8. FOREIGN ENTITIES

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

Not applicable.

9. AUDIT QUALIFICATION OR REVIEW

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

The financial statements were subject to an audit and the audit report is attached as part of the Annual Report.

10. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Lark Distilling Co. Ltd for the year ended 30 June 2024 is attached.

11. SIGNED

Domenic Panaccio
Non-Executive Chair

Date: 27 August 2024



LARK

SINGLE MALT WHISKY

ANNUAL REPORT

2024



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LARK Distilling Co. LTD

ABN 62 104 600 544

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CORPORATE DIRECTORY

DIRECTORS

Mr Domenic Panaccio
Non-Executive Chair

Mr David Dearie
Non-Executive Director

Ms Laura McBain
Non-Executive Director

Mr Warren Randall
Non-Executive Director

CHIEF EXECUTIVE OFFICER

Mr Satya Sharma

COMPANY SECRETARY

Ms Melanie Leydin

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1, 91-93 Macquarie
Street, Hobart TAS 7000

AUDITOR

RSM Australia Partners
Level 27, 120 Collins Street
Melbourne, VIC 3000

STOCK EXCHANGE LISTING

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

CORPORATE GOVERNANCE STATEMENT

The Company's 2024 Corporate
Governance Statement has been
released to ASX on this day and is
available on the Company's
website at: [https://larkdistillery.com/
investor-centre/](https://larkdistillery.com/investor-centre/)

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We are well-positioned to drive growth and expansion in future years, with accelerated investment in brand marketing and international expansion, facilitated by our recently announced Strategic Partnership with Seppeltsfield Wines and equity raising, which provides significant balance sheet strength.

- DOMENIC PANACCIO, CHAIR





MESSAGE FROM THE CHAIR

DOMENIC PANACCIO
CHAIR



DEAR FELLOW SHAREHOLDERS,

I AM DELIGHTED TO PRESENT MY FIRST ANNUAL REPORT AS CHAIR OF LARK DISTILLING COMPANY, HAVING ASSUMED THE ROLE IN JANUARY THIS YEAR. I WOULD LIKE TO ACKNOWLEDGE MY PREDECESSOR, DAVID DEARIE, WHO REMAINS A VALUED MEMBER OF OUR BOARD, AND ALL THE OTHER LARK BOARD MEMBERS FOR THEIR SUPPORT.

While the past year presented macro challenges, including a difficult economic and market landscape, as well as one-off impacts affecting our net sales, which totalled \$14 million, the company has made significant progress in several areas and the Board believes these developments have laid a strong foundation for Lark's future success.

At our Investor Day in October 2023, Management outlined the Company's Strategic Priorities, focusing on building long-term brand value, delivering international sales momentum, and maintaining our domestic leadership position. These priorities are underpinned by a renewed focus on cash and capital discipline. The Board is highly supportive of the company's direction and confident that our strategy will deliver long-term value for our shareholders.

The year has seen notable achievements, including the signing of our first international Distribution Agreements in South-East Asia, marking the initial step in our export expansion. We have also made considerable progress in Global Travel Retail, a crucial channel for building brand awareness and loyalty. Our revised domestic sales structure, through a distributor model, from 1 August 2024, will increase commercial coverage in Australia, enabling us to reach more consumers and showcase our exceptional products.

We are confident in our future prospects, underpinned by our most significant asset in our Whisky Bank, and the exceptional quality of our whisky, which has received multiple awards, including Australia's Best Single Malt Whisky in the World Whisky Awards and Gold awards for each of our core Single Malt Signature range expressions at the Global Spirits Masters.

Furthermore, we have confidence in the strength and expertise of our Management and Leadership team, led by CEO Satya, who possess a deep understanding of the industry and a clear vision for our future.

We are well-positioned to drive growth and expansion in future years, with accelerated investment in brand marketing and international expansion, facilitated by our recently announced Strategic Partnership with Seppeltsfield Wines and equity raising, which provides significant balance sheet strength. We will maintain a disciplined approach to capital allocation, ensuring our strategy delivers long-term value for our shareholders.

DOMENIC PANACCIO
CHAIR

CHIEF EXECUTIVE OFFICER'S REPORT

SATYA SHARMA
CEO



WE ARE PLEASED TO PRESENT OUR 2024 ANNUAL REPORT. WHILE THE YEAR HAS BEEN A CHALLENGING ONE FOR THE COMPANY AND WIDER SECTOR, WE HAVE MADE SOLID PROGRESS AGAINST OUR AMBITION OF MAKING LARK A LEADER IN NEW WORLD WHISKY. WE ARE WELL POSITIONED FOR LONG-TERM GROWTH, WITH EXCITEMENT FOR THE OPPORTUNITIES AHEAD.

FINANCIALS

Our 2024 Annual Report reflects a year of improved operating momentum for Lark, set against the backdrop of a challenging economic environment. Net Sales (revenue after excise) decreased from \$17.0 million in 2023 to \$14.0 million in FY24, primarily due to a foreseen slowdown in the Chinese Indirect Export channel and lower sales of old one-off releases. Softer trading conditions in domestic B2B channels and hospitality, mirroring broader consumer sentiment, were partially offset by progress in new market openings, a strong first year in Global Travel Retail, and a return to growth in our E-commerce channel.

Despite these challenges, disciplined cost control delivered an improvement of \$1.2 million in net cash used in operating activities, while maintaining brand investment to support long-term growth.

STRATEGIC PRIORITIES

In October 2023, we outlined our strategic priorities and growth plan, setting out our roadmap to make Lark a Leader in New World Whisky. We are confident that the priorities of Building Long Term Brand Value and delivering international sales momentum alongside domestic market leadership, underpinned by Cash & Capital Discipline, and our high-quality Whisky Bank; will deliver long-term shareholder value. While still early in our roadmap, I am pleased with the ongoing progress being made against our strategic priorities.

BUILDING LONG TERM BRAND VALUE

We have continued to build our brand reputation through awards recognition, including recent Gold awards at the Global Spirits Masters Competition for each of Lark Classic Cask, Lark Tasmanian Peated, Lark Chinotto Citrus, and Dark Lark. Our successful partnership with Peter Gilmore has further enhanced our brand's luxury credentials, while working with Australian bartender of the year, Milly Tang, allowed the brand to reach new audiences through our Dark Lark campaign. As Australia's No. 1 Luxury Single Malt, Lark is now the Australian Spirit of choice throughout all Qantas First Class flights and Qantas First Class lounges. The introduction of our 'Rare & Remarkable' products has driven halo and brand equity, and we have commenced work on a portfolio restage, including the appointment of a creative design agency.



INTERNATIONAL SALES MOMENTUM & DOMESTIC LEADERSHIP

FY24 saw the signing of Lark's first ever Distribution Agreements with overseas distributors, marking our first foray into sustainable export expansion, with \$0.9 million of Net Sales in H2 of this year, and focus now on building brand awareness in market, including through trade launches attended by Bill Lark in Singapore and Indonesia during July 2024. Our nascent Global Travel Retail channel has delivered significant commercial success, with over \$1.1 million of Net Sales achieved in FY24. While the domestic Australia market has been challenging, our recently announced change to our Route to Market with Spirits Platform, Australia's leading independent distributor, for the B2B channel gives us great confidence of increased commercial success.

CASH & CAPITAL DISCIPLINE

We remain committed to exercising cash and capital discipline, with a strong focus on cost control and capital allocation and improvement in net operating cashflows of \$1.1 million for the year. The recent Strategic Partnership with Seppeltsfield Wines and Equity raising will equip Lark with the resources to continue to produce exceptional whisky, providing the balance sheet flexibility to continue to invest in our brands and facilities while providing a high level of confidence through to positive operating cashflows during FY27.

FY25 PERSPECTIVES

For the coming year, we will continue to focus on our Strategic Priorities. FY25 will be a pivotal year for building long term brand value for Lark, with the ongoing brand restage and portfolio development finalised by end of the year to accelerate future international expansion. We anticipate returning to Net Sales growth in FY25, driven by additional commercial coverage domestically, improved DTC, and continued growth in Export and GTR. Our existing whisky bank will continue to allow distilling production to be broadly aligned with sales volumes in the year, with modest development of our Pontville site to increase capacity for the future as part of the transition to this being Lark's long term brand home.

ACKNOWLEDGEMENT AND APPRECIATION

The success of Lark is deeply rooted in the trust and loyalty of our consumers, customers, and community. We extend our sincerest gratitude for their ongoing support and look forward to welcoming more to the fold as we expand. We appreciate our team members' dedication and hard work. Lastly, we thank our valued shareholders for their trust, continued investment, and support. The shared vision and opportunity for the Company and brands is what drives us forward.

SATYA SHARMA
CEO

In October 2023, we outlined our strategic priorities and growth plan, setting out our roadmap to make Lark a Leader in New World Whisky.

- SATYA SHARMA, CEO



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LARK Distilling Co. LTD

ANNUAL
REPORT
2024



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A YEAR IN REVIEW





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2023/2024 LARK AWARDS PORTFOLIO

INTERNATIONAL WINE & SPIRITS COMPETITION



CHINOTTO CITRUS 93 POINTS



TASMANIAN PEATED 90 POINTS
LNY 2024 90 POINTS



CLASSIC CASK

HONG KONG WINE & SPIRITS COMPETITION



TOKAY 100 95 POINTS



TASMANIAN PEATED



SYMPHONY N1
CLASSIC CASK
REBELLION
DARK LARK 23
CHINOTTO CASK STRENGTH II

CHINA WINE & SPIRITS AWARDS



CASK STRENGTH
REBELLION
TASMANIAN PEATED
DARK LARK 23



TOKAY 100



CLASSIC CASK

GLOBAL SPIRITS MASTERS



CLASSIC CASK
TASMANIAN PEATED
CHINOTTO CITRUS
DARK LARK 2024



LNY 2024
1911 2024

WORLD WHISKY AWARDS



SYMPHONY NO. 1 (BLENDED MALT)



GARAGE PROJECT (SINGLE MALT)



CLASSIC CASK
DARK LARK
TASMANIAN PEATED

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FORTY SPOTTED GIN AWARDS PORTFOLIO

WORLD GIN AWARDS



BUSH HONEY



CLASSIC
CITRUS & PEPPERBERRY
PINOT NOIR

GLOBAL SPIRITS MASTERS COMPETITION



BUSH HONEY



CLASSIC
CITRUS & PEPPERBERRY
PINOT NOIR
WILD ROSE



DIRECTORS' REPORT

The directors present their report, together with the 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 year ended 30 June 2024.

DIRECTORS

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

Mr Domenic Panaccio - Non-Executive Chair
(appointed as Chair on 24 January 2024)

Mr David Dearie - Non-Executive Director
(resigned as Chair on 24 January 2024)

Ms Laura McBain - Non-Executive Director

Mr Warren Randall - Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2024 were 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 year.

REVIEW OF OPERATIONS

Lark Distilling Co Ltd is a Tasmanian based distiller and marketer of premium and Luxury Australian spirits. The Group's flagship Lark Single Malt Whisky was instrumental in the creation of the Tasmanian Whisky category, being founded by Bill and Lyn Lark in 1992 as the first licensed distillery in the state in 154 years. In addition to malt whisky, the Group also handcrafts a range of award-winning Tasmanian Gins under the Forty Spotted trademark.

The Group has invested behind developing a 'Whisky Bank' of maturing inventory in barrel, stored in sites across Tasmania, which underpins future growth ambitions in both domestic and international markets. The Group has expertise in the development, production, and marketing of whisky and gin products, with production and distilling assets across three sites in Tasmania.

In addition to business to business sales, the Group operates cellar door style hospitality venues in Tasmania and owned e-commerce platform servicing consumers directly in Australia.

OPERATIONAL HIGHLIGHTS

Market & Channel expansion:

Distribution Agreements were signed in the financial year for four international markets (Singapore, Indonesia, Malaysia and Philippines), with initial shipments taking place in H2 marking the first phase of the Group's planned sustainable export expansion plans. FY24 also saw the first full year of operations within Global Travel Retail channel. This channel plays a key brand building role for Luxury spirits brands and a unique opportunity to engage with target audience and drive brand discovery & awareness, with commercial and brand activation delivered in the year through key Australian Airports.

Appointment of domestic market distribution partner:

In June 2024, the Group announced the appointment of Australia's leading independent spirits distributor, Spirits Platform, as domestic distribution partner for both Lark Whisky and Forty Spotted Gin, effective 1st August 2024. This change in route-to-market sees Spirits Platform's



sales team representing the brands in the domestic business to business channels, increasing market coverage by giving access to a significantly expanded sales team. The Group will continue managing the Domestic Hospitality, Ecommerce, and Australian GTR channels post transition.

Brand Investment:

The year saw the continuation of focus on Lark's core Signature Single Malt range of Lark Classic Cask, Lark Tasmanian Peated, and Lark Chinotto Citrus Cask as 'always on' offerings in Australia and new international markets. Brand activity has focused on meaningful brand partnerships to grow LARK's awareness and reinforce credibility with trade and consumers via trusted names. While Limited Edition and exclusive releases remain part of the Lark offering, these have continued to move away from numerous product led releases prevalent through the Covid period, to an occasion led and scaleable innovation pipeline including Personalisation, Dark Lark, Christmas, and Lunar New Year, supplemented by 'Rare & Remarkable' introduction including Lark 1911 Para Vintage Tawny Cask to provide brand halo in key channels. Work started in the year on the Lark brand restage to support future export expansion, with the appointment of LOVE, a highly credentialed global creative agency experienced in the Luxury alcohol space to support this key project.

Recognition:

The quality of the Group's whiskies continued to be recognised through some of the industry's most influential and important awards, including Lark being crowned Australia's Best Single Malt for the Fresh IPA Cask release, as well as Australia's Best Blended Malt with Symphony No.1, for the third consecutive year. The most recent Global Spirits Masters competition saw Gold Medals awarded for each of the core Signature Single Malt range products along with 2024's Dark Lark release. These awards are testament to the quality of our Whisky Bank, and the skill and capability of our distilling and blending teams, while also providing reassurance to consumers, customers, and distributors.

Production Operations:

Lark has a high quality 'Whisky Bank', with inventory under maturation of 2.5 million litres (at 43% ABV). This Whisky Bank is the source of our award-winning whiskies and underpins the Group's future growth ambitions. The scale and profile of the inventory under maturation provides significant flexibility to optimise short to medium-term production and working capital requirements. In FY24, distilling operations were consolidated to Lark's Cambridge site, with distilling production reduced compared to previous financial years and more closely aligned with current sales demand. Inventory under maturation has therefore increased only modestly in the year.

Organisational Design:

The financial year saw the embedding of revised organisational structure announced in June 2023, with restructuring of several roles delivering cost savings to offset inflationary pressure and allowing investment into new roles to support future growth areas of innovation and international expansion. Following the announcement in June 2024 of the change in Domestic route to market, and the appointment of Spirits Platform, restructuring of Lark's domestic sales team took place, with the removal of roles and associated cost saving to offset Spirits Platform Distribution Margin.

Capital & Debt:

In February 2024, the Group secured an extension of its existing committed bank facility with National Australia Bank, with this facility now maturing in January 2028. The facility remains undrawn, with the Group debt free over the course of the year. Subsequent to financial year end, the Group announced a Strategic Partnership with Seppeltsfield Wines Pty Ltd, an entity associated with non-executive director Warren Randall, and associated equity raising. The Institutional Placement was successfully completed on 30th July 2024, with Conditional Placement subject to shareholder approval at EGM to be held on 30th August 2024.

DIRECTORS' REPORT, CONT'D

FINANCIAL HIGHLIGHTS

Key Highlights:

- Lark delivered revenue from ordinary activities for the year ended 30 June 2024 of \$16.7 million, down 15.8% compared to last year.
- Net Sales (revenue after excise) for the year was \$14.0 million, down \$3.1 million or 18% compared to last year. Sales for the year were impacted by a foreseen slowdown in the Chinese Indirect Export channel, and softer trading conditions in domestic B2B and Hospitality, partially offset by positive performance in Direct Export, GTR and Ecommerce.
- Direct exports under Distribution Agreements commenced in H2 with initial shipments to new launch markets of Singapore, Indonesia, Malaysia and Philippines, delivering Net Sales of \$0.9 million. Lark's nascent Global Travel Retail presence continues to grow in key Australian airports, with Net Sales of \$1.1 million for FY24.
- Gross profit margins (as a % of net sales) remained strong at 67.8%. Whisky net sales per litre reduced from \$280 to \$255 per litre primarily through channel mix with lower contribution from hospitality venues.

Operating expenses decreased during the year due to:

- Marketing investment (Selling & Distribution expense) as a % of net sales increased from 18% to 21% year on year as Lark continues to build long term brand equity to support domestic sales and provide a strong platform for international market expansion.
- In June 2024, Lark announced the appointment of Australia's leading independent spirits distributor, Spirits Platform, as Lark's domestic distribution partner – commencing 1 August 2024. A non-recurring \$0.2 million restructuring provision has been included within the result.
- Other operating costs in FY23 comparatives included \$2.3 million non-recurring and one-off costs relating to CEO recruitment, obsolete stock and restructuring costs. Excluding these non-recurring expenses, other operating costs reduced \$1.0 million vs FY23 due to cost control measures implemented, including the benefits of the restructure implemented in June 2023.

FINANCIAL POSITION

- Lark ended the year with a cash balance of \$2.4 million, with a further \$15 million undrawn committed bank facility fully available to be drawn and now extended to January 2028.
- Total inventory at cost increased by \$2.2 million to \$64.1 million. The modest increase when compared to previous years reflected the decision to centralise whisky production at Cambridge as well as more closely aligning distilling production levels with current demand. This also contributed to Net Operating Cash Outflows improving by \$1.2 million vs FY23.

BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Group outlined its Strategic Priorities and growth plan at its Investor Day in October 2023 in pursuit of its ambition of making Lark a Leader in New World Whisky. The business strategy remains focused on these strategic priorities, with delivery through:

- Long Term Brand Value – building a globally recognized and differentiated Luxury brand
- International Sales Momentum & Domestic Leadership Position – creation of repeatable and diversified revenue streams.
- Cash & Capital Discipline – prioritizing cash generation to underpin growth while exercising capital discipline.

The Group intends to make continued progress against these priorities in the coming financial year, with a brand restage underway for Lark to support future export expansion and Whisky Bank commercialisation, marketing support focused on driving brand awareness in new markets and channels while embedding new route-to-market for domestic Australia.



BUSINESS RISKS

RISK	DESCRIPTION	MITIGATION STRATEGIES
Health, Safety & Wellbeing	The production and sale of spirits and operation of hospitality venues involves the handling of hazardous goods and the use of complex equipment and processes that pose a risk of death, injury, or illness. An incident could lead to significant financial, operational and reputational impact to Lark. Lark recognises the importance of managing existing risks and monitoring emerging risks that have potential to cause harm to employees, contractors or visitors.	The health, safety and wellbeing of the Lark team remains our highest priority. Key mitigation strategies include: - Formally defined, and periodically reviewed Health, safety, and well-being policies, standards, procedures and tools. - Induction and ongoing training programs. - Regular cleaning and maintenance schedule, with inspections and preventative repairs & maintenance. - Reporting & monitoring of health and safety practices and performance with periodic reviews to identify areas of improvement.
Incident leading to reputational damage to company and / or brand(s)	Lark has built its reputation from the award-winning quality of its whisky. The reputation of the Lark brand is key to the success of the business. Risks to Lark's reputation include both internal and external activity including quality incident, counterfeited product, black market trade, and negative media coverage. A significant incident could have a material adverse effect on financial and operating performance.	- Code of Conduct, Responsible Marketing Guidelines, Responsible Consumption program, Responsible Procurement Code, Environment Policy and Standard, Media Policy and Social Media Policy and incident management procedures. - Quality control measures and processes to mitigate risk to Brand reputation through product quality incident. - Brand and intellectual property protection strategies.
Storage & Management of Maturing Whisky	Lark has a significant amount of maturing whisky stored in several facilities. Lark's storage facilities may be impacted by a fire or major weather event or subject to malicious attack, which may result in loss, damage, contamination or destruction of inventory. If inventory is not adequately managed, it could result in unfavourable whisky profiles or a mismatch between consumer demand and available inventory.	- Multiple storage locations that are geographically separated, with ongoing site security and safety checks. - Insurance coverage in place. - Regular stocktakes, with barrel management and tracking utilising RFID tagging, for both filled and empty barrels, allowing automation of monitoring and reporting. - Regular sampling & audits of inventory under maturation. - Scale and quality of Whisky Bank provides flexibility and optionality for future releases. - Long Term modelling utilising industry data to identify whisky requirements and appropriately manage stock model. - No-Age statement releases provide flexibility to marry whiskies from different years, with Tasmanian climate allowing longer maturation periods for optionality on future range profiles.

DIRECTORS' REPORT, CONT'D

RISK	DESCRIPTION	MITIGATION STRATEGIES
Failure to attract & retain talent	The Company is heavily reliant on key personnel. Loss of key personnel could cause significant disruption to operational and financial performance.	• Market competitive remuneration and benefits offering. • Talent review and succession planning processes. • Flexible working practices where roles allow. • Incentive and reward programs aligned to the achievement of Lark's financial and business goals, with Long Term Incentive plans in place for key roles.
Changes in consumer preferences and / or Competitive landscape may have an adverse impact on sales and growth	Unforeseen changes to consumer preferences from factors including health, economic conditions, and market trends could have a material adverse impact on operating and financial performance.	• History and Brand equity of Lark supporting position in Australia, with expansion into export markets (including Global Travel Retail) underway to diversify revenue streams. • Size and profile of Whisky Bank gives flexibility to consider offerings across multiple price tiers, with wood and finishing program allowing adaptation of profile in time. • Monitoring of brand health, consumer insights and trends informing brand product & portfolio strategy. • Representation on key industry bodies.
Quality standards	Sale of defective products due to non-compliance with Lark operational quality processes could result in damage to Lark's brand reputation. This could also lead to additional costs from product recall, penalties and litigation.	• Maintenance of appropriate policies, standards and procedures relating to Production & Operations, including strict quality control measures. • HACCP Accreditation. • Regular auditing program.
Supply Chain	Disruptions or delays within Lark's supply chain may impact the production of new make whisky and/or bottling of finished goods, which may impact future and/or current sales volumes.	• Rolling Sales & Operations Planning Process (S&OP) embedded within business providing future demand signal for raw materials. • Risk assessments undertaken on key suppliers. • Multi-regional and diversified supplier base, with broad range of potential suppliers. • Supply agreements in place with key supply partners. • Joint business planning processes to support and align internal and partner incentives.



RISK	DESCRIPTION	MITIGATION STRATEGIES
Route To Market & New Market Entry	Appropriate Route to Market is required to ensure long term sales development and sustainability for Lark, with portfolio size and scale requiring Lark to work with in-market distributors. Risks exist which must be managed including finding and appointing appropriate quality distributors and ensuring sufficient focus on Lark's brands. Lack of availability of appropriate quality distributors may disrupt or slow new market entry. Entry to international markets may be disrupted or slowed based on factors beyond Lark's control including local laws and regulations on alcohol products, product registrations, and other Government actions including changing duties tariffs and quotas. Entry may also be disrupted or slowed based on speed of ensuring appropriate brand protections including trademark coverage, with objections and speed of registrations potentially slowing or disrupting market entry.	• Ongoing assessment and optimisation of Domestic B2B Coverage Model. • Direct to consumer / Hospitality business provides diversification of Domestic sales business. • Management team experienced working with international distributors in Luxury spirits. • Selectively targeting which export markets are entered and diversifying across multiple markets to mitigate loss from barriers to entry. • Due Diligence on new Distributors in Export markets, including references in trade as required. • Distribution Agreements in place with Export distributors, with appropriate distributor margins to ensure aligned incentives. • Relationships and engagement (where relevant) with key government, industry advocacy and regulatory bodies. • Engagement with external subject matter experts as required.
Capital Management and access to funding	Insufficient funding may restrict Lark's ability to trade, including appropriate brand investment for entry to new markets, or volume of whisky production, restricting future sales growth. Lark is currently loss making and is not cash flow positive which may adversely impact Lark's access to funding.	• Access to capital markets, with recent institutional placement and forthcoming conditional placement providing balance sheet strength to invest in brand, infrastructure, and export market expansion. • Long range corporate planning with assessment of cash position, with size and profile of Whisky Bank enabling flexible approach to distilling production. • Banking facility in place and extended to January 2028. • Flexibility on balance sheet, including land & buildings that could be sold.

DIRECTORS' REPORT, CONT'D

RISK	DESCRIPTION	MITIGATION STRATEGIES
Data and cyber security	The business relies on IT infrastructure, systems and processes to support ongoing business growth. The use of these systems poses risk (including through cyber-attack) of error and loss of access to systems and data, which includes increased cost and processing times or damage to business reputation, or decision making based on inaccurate information. The storage of information poses risk of data theft which may impact Lark's ability to trade, and/or give rise to reputational risk.	• Independent external IT Security Assessments performed to maintain IT maturity level. • Information User Policy, supporting framework and specialised resources. • Restricted and segregated management of sensitive business/supplier/customer data. • Documented crisis, business continuity and disaster recovery plans. • Periodic employee training and alerts to ensure secure handling of sensitive data. • Outsourced IT experts bringing best practice processes to supplement internal resource.
Non-compliance with laws and regulations	Lark operates in a highly regulated industry in the production of spirits and selling in various overseas markets. Each of these markets have differing regulations that govern many aspects of Lark, including privacy, taxation, production, manufacturing, pricing, marketing, advertising and distribution, & ASX reporting requirements. Remaining compliant with regulations, including changes to existing, or new regulations, requires ongoing monitoring by the business.	• Compliance framework. • Specialised and experienced resources and teams (including external subject matter experts as required) • Company-wide policies, standards and procedures. • Relationships and engagement with key government, industry advocacy and regulatory bodies.
Climate Change & Environmental Risks	Lark faces climate change risks across both the production and distribution of whisky. Risks include adverse impact to whisky maturation time and process, and distribution to supply chain including Agri-risk. Consumer awareness and retailer requirements on environmental impact may require amendments to packaging and labelling in certain markets.	• Maturation and wood program can be tailored over time. • R&D work on impact of climate on maturation. • Accreditation of certified carbon neutral status under Federal Government's Climate Active Program, with consideration to carbon footprint in supply chain. • Regular risk assessments to identify and address potential climate-related impacts, such as floods, on production and distribution. • Relationships and engagement with key government, industry advocacy and regulatory bodies.



SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 29 July 2024, the Company announced that it entered into a Heads of Agreement for a Strategic Partnership with Seppeltsfield Wines Pty Limited, an entity associated with Non-Executive Director, Warren Randall. The Strategic Partnership will secure access to, and exclusivity over, premium oak barrels for Lark, formalising first right of use arrangements to provide certainty over Lark's future maturation requirements. The Heads of Agreement is in place with contract to be signed subject to completion of the Conditional Placement to Seppeltsfield Wines Pty Ltd detailed below.

On 29 July 2024, the Company announced that it is undertaking an equity raising of approximately \$22.5 million equity in three (3) tranches.

- a \$15.0 million conditional placement at \$0.85 per new share to Seppeltsfield Wines Pty Ltd, an entity associated with Warren Randall (raising approximately \$14.5 million), Domenic Panaccio (raising approximately \$0.25 million) and David Dearie (raising approximately \$0.25 million), subject to shareholder approval at an extraordinary general meeting ("EGM") to be held on 30 August 2024.
- an unconditional institutional placement at \$0.85 per new share to raise approximately \$6.5 million. The institutional placement was completed on 30 July 2024 and the Company issued 7,647,059 new Shares on 2 August 2024.
- a non-underwritten share purchase plan intending to raise up to \$1.0 million at \$0.85 per new Share to eligible Lark shareholders to be completed during August 2024. The plan was almost 5 times oversubscribed versus the original target, with a scale back of applications resulting in a total amount of \$3.5 million to be raised. The new shares are scheduled to be issued 27th August 2024.

The equity raise will provide Lark with additional balance sheet capacity to invest in the Lark brand and facilities over the next two years to drive the export strategy and accelerate growth.

No other matter or circumstance has arisen since 30 June 2024 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.

LIKELY DEVELOPMENTS AND RESULTS OF OPERATIONS

The Group expects to drive sales growth through expansion to international markets. Additional information on the operations and financial position of Lark is set out in the Review of Operations accompanying this Directors' report.

ENVIRONMENTAL REGULATION

The Group is committed to minimising its environmental footprint and is certified carbon neutral, under the Federal Government's Climate Active Program, one of the most widely recognised carbon neutral programs of its kind.

The Group's operations are not subject to significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia or international markets that Lark export to. The Group's management regularly and routinely monitor compliance with relevant environmental regulations and has established procedures to monitor and manage compliance with existing regulations and new regulations that may be established. During the financial year, the Directors have not been notified or are aware to be in breach of any environmental regulations.

DIRECTORS' REPORT, CONT'D

INFORMATION ON DIRECTORS



MR DOMENIC PANACCIO

Title: Non-Executive Chair
(appointed as Chair on 24 January 2024)

Qualifications: Certified Public Accountant and member of the Australian Institute of Company Directors

Experience and expertise: Domenic has had a long and distinguished career in senior management of large public companies including 20 years at Fosters Group and 10 years at Westfield. From 2010 to 2014, Domenic was Chief Executive Officer of Westfield Retail Trust, one of the largest ASX listed property trusts in Australia at that time. Domenic previously held a number of senior positions including Deputy Chief Financial Officer of Westfield Group, Chief Financial Officer of Westfield America and Chief Financial Officer for the Foster's Group Wine Division, Beringer Blass Wine Estates.

Other current directorships: None

**Former directorships
(last 3 years):** None

Special responsibilities: Chair of the Audit and Risk Committee^(a), and member of the Remuneration and Nomination Committee^(a).

Interests in shares: 109,954
fully paid ordinary shares

Interests in rights: None



MR DAVID DEARIE

Title: Non-Executive Director
(resigned as Chair on 24 January 2024)

Qualifications: MHCIMA, Glasgow College of Food and Technology, Institute of Marketing Diploma, University of Hull

Experience and expertise: A global beverage industry leader with over 30 years' experience in alcohol retailing, distribution and brand building. Founding CEO of Treasury Wines estates Ltd (TWE), and senior executive positions with Fosters Group Ltd and Brown-Forman.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares: 574,986

Interests in rights: 420,000
performance rights

Share rights: 10,478



DIRECTORS' REPORT, CONT'D



MS. LAURA MCBAIN

Title: Non-Executive Director

(Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)

Qualifications: Bachelor of Commerce and completed IMD Leadership Challenge 2013 and IESE/Wharton/CEIBS Global CEO program 2017

Experience and expertise: Brand, marketing and strategy leader for Asia-Pacific FMCG businesses with accounting background. MD/CEO of Bellamy's Australia from 2007 to 2017 pioneering Australia's infant formula brands in China. MD of Maggie Beer Holdings Ltd 2017 to 2019, leading several acquisitions and integrations of premium food businesses into public company. Strategic advisor to nutrition businesses and former director of Export Finance Australia (Australia's government export credit agency). 2013 Telstra Australian Businesswoman of the Year (Private and Corporate) and Telstra Tasmanian Businesswoman of the year. Laura was appointed to the inaugural Board of Tasmania Football Club in 2023.

Other current directorships: Capitol Health Limited (ASX: CAJ) (appointed 1 July 2021)

Former directorships (last 3 years): None

Special responsibilities: Member of Audit and Risk Committee^(a), member of the Remuneration and Nomination Committee^(a)

Interests in shares: 81,000 (shares all held by Vermilion 21 Pty Ltd (McNelhaus Super Fund A/C))

Interests in rights: 90,000 performance rights



MR WARREN RANDALL

Title: Non-Executive Director

Qualifications: Bachelor of Agricultural Science & Wine Science (Adelaide), Bachelor of Oenology (Wine Science) (Charles Sturt)

Experience and expertise: Over 40 years in the Australian Wine Industry graduating from Adelaide University in Agricultural Science and Charles Sturt University in Wine Science, with experience working for Seppelt Great Western Winery, Andrew Garrett Wines, Tinlins Wines, Wynns Winegrowers, Seaview Champagne Cellars and Lindemans Wines. Warren has also served as a director of the board at the Adelaide Football Club.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration and Nomination Committee^(a), member of the Audit and Risk Committee^(a)

Interests in shares: 2,889,295 (shares are all held by Seppeltsfield Pty Ltd (Seppeltsfield Estate A/C))

Interests in rights: 300,000 performance rights

^(a) 'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

^(a) 'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

(a) During the year, the roles and responsibilities of the Audit and Risk Committee and Remuneration Committee were absorbed by the Board following the appointment of Domenic Panaccio as Chair on 24 January 2024. The changes were made due to the size of the Board and Domenic Panaccio being the Chair of the Audit and Risk Committee at the time of his appointment as Chair.

DIRECTORS' REPORT, CONT'D

CHIEF EXECUTIVE OFFICER

Mr Satya Sharma, CA, B, Law

Mr Sharma joined Lark in May 2023 from William Grant & Sons Ltd, where he was the Regional Managing Director for Southeast Asia and Australasia. Mr Sharma also had a complementary role as member of the board for that company's Branded Business Unit, which is responsible for the business's brands globally. In this role, Mr Sharma was instrumental in driving the momentum of William Grant & Sons portfolio across Southeast Asia and the broader Asia Pacific region, developing strong distributor relationships, growing brand equity, and accelerating the contribution of luxury to the group through the launch of the world's first "The Distiller's Library" concept.

Over his 10-year career with William Grant & Sons across Singapore, China, and UK, Mr Sharma held roles including Head of Business Strategy & Development, Interim Finance Director APAC, and Head of Commercial. Prior to his time with William Grant & Sons Ltd, Mr Sharma was based in Australia and held various roles with Campbell Arnott's, and was a Senior Manager in Corporate Finance at Pitcher Partners (previously Moore Stephens).

Mr Sharma holds degrees in Business and Law from the University of Technology Sydney and is a member of the Institute of Chartered Accountants Australia and New Zealand.

CHIEF FINANCIAL OFFICER

Mr Iain Short, CA

Mr Short joined Lark in June 2023 from William Grant & Sons Ltd, where he was the Finance Director - Asia Pacific and Global Travel Retail. In this role Mr Short was a key member of the development and implementation of the strategy in the APAC region which has seen significant distribution growth and brand portfolio development for William Grant & Sons.

Mr Short had an extensive career with William Grant & Sons, where he worked in numerous senior finance and strategy roles including Finance and Operations Director for Australia and New Zealand, and Finance Director for UK and Ireland. Mr Short previously worked at PwC in London, holds an economics degree from The University of Edinburgh and is a Chartered Accountant.

COMPANY SECRETARY

Ms Melanie Leydin – BBus (Acc. Corp Law) CA FGIA

Ms. Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. Ms. Leydin is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and from February 2000 to October 2021 was the principal of Leydin Freyer which was acquired by Vistra in November 2021. Ms. Leydin is now Vistra Australia's Managing Director and Regional Managing Director. Vistra is a prominent provider of governance and compliance solutions and finance and accounting solutions in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Ms. Leydin has over 30 years' experience in the accounting profession and over 20 years' experience holding Board positions including Company Secretary and CFO of ASX listed entities. Ms. Leydin has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies, initial public offerings, secondary raisings and shareholder relations.



DIRECTORS' REPORT, CONT'D

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Directors' Meetings		Audit and Risk Committee ^(a)	
	Attended	Held ^(b)	Attended	Held ^(b)
Mr Domenic Panaccio	10	10	2	2
Ms Laura McBain	10	10	2	2
Mr Warren Randall	10	10	2	2
Mr David Dearie	10	10	-	-

(a) During the year, the roles and responsibilities of the Audit and Risk Committee and Remuneration Committee were absorbed by the Board following the appointment of Domenic Panaccio as Chair on 24 January 2024. The changes were made due to the size of the Board and Domenic Panaccio being the Chair of the Audit and Risk Committee at the time of his appointment as Chair.

(b) Held: represents the number of meetings held during the time the director held office.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Remuneration Policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The remuneration report is set out under the following main headings:

- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

The board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, with the potential for options and other incentives. Options to be issued at the discretion of the Board.
- The remuneration committee reviews key management personnel packages annually by reference to the Group's performance and executive performance.

During the year, the roles and responsibilities of the Remuneration Committee were absorbed by the Board following the appointment of Domenic Panaccio as Chair on 24 January 2024.

The performance of key management personnel is reviewed annually and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and option incentives are issued at the discretion of the Board. Any incentives or bonuses must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of other key management personnel executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

DIRECTORS' REPORT, CONT'D

All remuneration paid to key management personnel is valued at the cost to the company and expensed, shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using Monte-Carlo or Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination of \$400,000 per annum is as resolved at the 2023 Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external parties as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Key Management Personnel Remuneration Policy

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain key management of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Lark Distilling Co. Ltd:

- Mr Domenic Panaccio - Non-Executive Chair (appointed as Chair on 24 January 2024)
- Mr David Dearie - Non-Executive Director (resigned as Chair on 24 January 2024)
- Ms Laura McBain - Non-Executive Director
- Mr Warren Randall - Non-Executive Director

And the following persons:

- Mr Satya Sharma - Chief Executive Officer
- Mr Iain Short - Chief Financial Officer



DIRECTORS' REPORT, CONT'D

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2024	Salary and fees \$	Short term bonus \$	Annual leave ^(a) \$	Super-annuation \$	Long service leave ^(a) \$	Equity-settled \$	Total \$
Non-Executive Directors:							
Mr Domenic Panaccio	74,085	-	-	-	-	-	74,085
Mr David Dearie ^(c)	75,914	-	-	-	-	149,647	225,561
Ms Laura McBain	56,250	-	-	-	-	147,358	203,608
Mr Warren Randall ^(b)	56,250	-	-	-	-	82,608	138,858
Other KMP							
Mr Satya Sharma	647,583	-	60,964	27,417	1,336	704,452	1,441,752
Mr Iain Short	365,000	-	18,843	26,796	676	50,446	461,761
	1,275,082	-	79,807	54,213	2,012	1,134,511	2,545,625

(a) Employee leave benefits represent annual leave and long service leave entitlements, measured on an accrual basis, and reflects the net movement in the entitlements over the year (i.e. leave entitlements that accrued during the year but were not used).

(b) During the period ended 30 June 2024, the Group made purchases amounting to \$53,118 (30 June 2023: \$144,558) 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 Lark. These transactions are considered to be arms-length transactions.

(c) Fees for David Dearie includes 10,478 share rights valued at \$12,500 that were issued in lieu of \$12,500 cash fees.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2023	Salary and fees \$	Short term bonus \$	Annual leave \$	Super-annuation \$	Long service leave ^(a) \$	Equity-settled \$	Total \$
Non-Executive Directors:							
Mr David Dearie	85,000	-	-	-	-	115,099	200,099
Mr Warren Randall ^(b)	50,000	-	-	-	-	50,309	100,309
Mr Domenic Panaccio	50,000	-	-	-	-	-	50,000
Ms Laura McBain ^(c)	425,000	-	-	-	-	144,376	569,376
Other KMP							
Mr Satya Sharma ^(d)	112,449	500,000	-	6,323	-	115,908	734,680
Mr Iain Short ^(e)	56,154	-	-	2,211	-	-	58,365
Mr Alex Aleksic ^(f)	196,452	20,000	-	-	-	(24,587)	191,865
	975,055	520,000	-	8,534	-	401,105	1,904,694

(a) Employee leave benefits represent annual leave and long service leave entitlements, measured on an accrual basis, and reflects the net movement in the entitlements over the year (i.e. leave entitlements that accrued during the year but were not used).

(b) During the period ended 30 June 2023, the Group made purchases amounting to \$144,558 (30 June 2022: \$341,052) 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 Lark. These transactions are considered to be arms-length transactions.

(c) Ms Laura McBain resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023.

(d) Mr Satya Sharma appointed as Chief Executive Officer 1 May 2023. Performance rights were issued to Mr Sharma in two tranches of 197,280 and 343,357 on 1 May 2023 and 19 June 2023, respectively. As per AASB 2 Share-based Payment, the fair value of these equity instruments were measured at grant date, which is 1 May 2023.

(e) Mr Iain Short appointed as Chief Financial Officer on 12 June 2023. Salaries and fees included \$35,096 fees for allowance paid for onboarding while offshore from 8 May 2023 to 11 June 2023.

(f) Mr Alex Aleksic resigned as Chief Financial Officer 31 December 2022.

DIRECTORS' REPORT, CONT'D

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
Mr Domenic Panaccio	100%	100%	-	-	-	-
Mr Warren Randall	41%	50%	-	-	59%	50%
Mr David Dearie	34%	42%	-	-	66%	58%
Ms Laura McBain	28%	75%	-	-	72%	25%
<i>Other Key Management Personnel:</i>						
Mr Satya Sharma	51%	16%	-	68%	49%	16%
Mr Iain Short	89%	100%	-	-	11%	-
Mr Alex Aleksic	-	102%	-	10%	-	(12%)

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Domenic Panaccio
Title:	Non-Executive Chair
Agreement commenced:	1 May 2022
Term of agreement:	No fixed term
Details:	Remuneration: \$120,000 annual directors fee (excluding GST). Mr Domenic Panaccio's appointment as a Non-Executive Director is subject to retirement by rotation under the Company's constitution. Mr Domenic Panaccio can resign from office subject to written notice or in accordance with the law or the Company's constitution with a notice period acceptable to both parties. As at 30 June 2024, Mr Domenic did not have any Performance Rights on issue.
Name:	Mr Warren Randall
Title:	Non-Executive Director
Agreement commenced:	21 May 2019
Term of agreement:	No fixed term
Details:	Remuneration: \$75,000 annual directors fee (excluding GST) Mr Warren Randall's appointment as a Non-Executive Director is subject to retirement by rotation under the Company's constitution. Mr Warren Randall can resign from office subject to written notice or in accordance with the law or the Company's constitution with a notice period acceptable to both parties. As at 30 June 2024, the following Performance Rights remained on issue, with terms and conditions as detailed and with an expiry date of 31 December 2026:

Tranche no.	Target market share price and continuous service to:	Performance rights to vest
Tranche 4	\$2.250 31 December 2023	100,000
Tranche 5	\$2.550 31 December 2024	200,000



DIRECTORS' REPORT, CONT'D

Name:	Mr David Dearie
Title:	Non-Executive Director
Agreement commenced:	1 March 2020
Term of agreement:	No fixed term
Details:	Remuneration: \$75,000 per annum

Mr David Dearie can terminate the agreement with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof. Employment may be ended immediately by either party if at any time the other party is, or becomes, in breach of any terms of the agreement and that breach is incapable of remedy; or if capable of remedy, continues for a period of 14 days after the party not in breach gives the other party a notice in writing requiring the breach to be remedied.

As at 30 June 2024, the following Performance Rights remained on issue, with terms and conditions as noted, and with an expiry of 31 December 2026:

Tranche no.	Target market share price and continuous service to:	Performance rights to vest
Tranche 3	\$1.950 31 December 2022	70,000
Tranche 5	\$2.550 31 December 2024	350,000

Name:	Ms Laura McBain
Title:	Non-Executive Director
Agreement commenced:	1 May 2023 (Continued service from 1 June 2020)
Term of agreement:	No fixed term
Details:	Remuneration: \$75,000 annual directors fee (excluding GST)

Ms Laura McBain appointment as a Non-Executive Director is subject to retirement by rotation under the Company's constitution. Ms Laura McBain can resign from office subject to written notice or in accordance with the law or the Company's constitution with a notice period acceptable to both parties.

As at 30 June 2024, the following Performance Rights remained on issue, with terms and conditions as detailed and with an expiry date of 31 December 2026:

Tranche no.	Target market share price and continuous service to:	Performance rights to vest
Tranche 4	\$2.25 December 2023	45,000
Tranche 5	\$2.55 December 2024	45,000

Name:	Mr Satya Sharma
Title:	Chief Executive Officer
Agreement commenced:	1 May 2023
Term of agreement:	No fixed term
Details:	Remuneration: \$675,000 per annum (inclusive of superannuation)

Mr Sharma can terminate the agreement with 6 months' notice. The Company can terminate the agreement with 6 months' notice, or payment in lieu thereof. The Company may terminate the contract at any time without notice if a serious misconduct or breach of contract has occurred.

As at 30 June 2024, Mr Sharma was eligible for the following short-term and long-term incentives including the Performance Rights remained on issue.

DIRECTORS' REPORT, CONT'D

Short Term Incentive (STI)

Mr Sharma is entitled to receive an annual bonus commencing from the year 1 July 2023 to 30 June 2024. He will be entitled to the payment of one of the following bonuses on an annual basis, subject to the achievement of a range of financial and non-financial targets, aligned with the Company's strategy and business performance, to be determined by the Board:

- (a) Up to 50% of base salary less superannuation at target
- (b) In the case of highly superior performance as assessed by the Board in its sole and absolute discretion, up to 75% of base salary less superannuation

Any STI payments may be equity settled at the Board's discretion.

CEO Sign-on Share Rights

An award of share rights (Share Rights) under the Company's 2022 Equity Incentive Plan was granted subject to the satisfaction of certain Grant Conditions. The Share Rights represent rights to receive ordinary shares in the Company valued at \$620,000 at the date of grant, will vest and be exercisable upon the satisfaction of service condition.

Tranche no.	Target market share price	and continuous service to:	Grant date	Expiry date	Performance rights to vest
May 23 CEO Sign-on Share Rights	\$0.00	1 May 2024	1 May 2023	1 May 2026	343,357
May 23 CEO Long Term Incentive	\$4.00	1 May 2026	1 May 2023	1 May 2026	197,280
May 24 LTI - Tranche 2	\$1.80	30 June 2025	27 May 2024	30 June 2030	628,922
May 24 LTI - Tranche 3	\$2.10	30 June 2026	27 May 2024	30 June 2031	836,052
May 24 LTI - Tranche 4	\$2.40	30 June 2027	27 May 2024	30 June 2032	1,046,948
May 24 LTI - Tranche 5	\$2.70	30 June 2028	27 May 2024	30 June 2033	1,254,078

May 23 CEO LTI vesting condition

Mr Sharma's long-term incentives are intended to be in the form of Share Rights to acquire Shares in the Company valued at up to \$975,000. The performance rights will vest and be exercisable upon the satisfaction of service condition and performance conditions, which were agreed as part of the LTI. 197,280 performance rights noted in Mr Sharma's performance rights table and their fair value for accounting purposes have been determined based on estimated grant date, probability of achieving the vesting conditions and the Company's closing share price at 30 June 2023. Actual number of performance rights may be different at the grant date.

Performance condition

The performance-based Vesting Condition is based on the Company's Shares sustaining a certain 10-day volume weighted average price for at least 20 consecutive days. If at any point during the Relevant Period the Company achieves the target market share price specified in the table below, then Mr Sharma's Share Rights will entitle him to Shares equal to the value specified in the adjacent column, upon satisfaction of the service condition. The notes to the table below provide further detail of how Mr Sharma's entitlement is to be determined.



DIRECTORS' REPORT, CONT'D

Target market share price	Value of entitlement (AUD)	Notes
\$4.00	\$195,000	-
>\$4.00 to \$5.00	>\$195,000 to \$650,000	Entitlement is \$195,000 plus additional entitlement determined on a pro-rata, straight line basis from \$4.00 to \$5.00.
>\$5.00 to \$6.00	>\$650,000 to \$975,000	Entitlement is \$650,000 plus additional entitlement determined on a pro-rata, straight line basis from \$5.00 to \$6.00.

May 24 LTI vesting conditions

On 27 May 2024, the Company issued a total of 3,766,000 Performance Rights to Mr Sharma, which will vest and be exercisable upon satisfaction of service condition and performance conditions agreed as part of the LTI. If the share price hurdle for Year 4 and/or Year 5 is satisfied in Year 3, the vesting of Performance Rights for Year 4 and/or Year 5 (as applicable) will be accelerated and vest together with those Year 3 Performance Rights.

In the event of a Corporate Control Event (as defined under clause 2 of the Company's Plan) during any of the specified continued employment periods set out in the table above, the following basis for vesting will instead apply to the Performance Rights in Tranches 2 - 5:

- (a) 40% of the issued Rights will vest immediately; and
- (b) if the Corporate Control Event:
 - (i) Occurs on or before 31 December 2026, then a pro-rata amount of the remaining 60% of the issued Rights, based on the number of days elapsed from 1 January 2024 to the date of the Corporate Control Event, as a proportion of the total number of days from 1 January 2024 to 31 December 2026, will vest on the date of the Corporate Control Event; or
 - (ii) Occurs on or after 31 December 2026, and before the Last Exercise Date of those Rights, then all such remaining and outstanding Rights will vest at the date of the Corporate Control Event.

Name:	Mr Iain Short
Title:	Chief Financial Officer
Agreement commenced:	12 June 2023
Term of agreement:	No fixed term
Details:	Remuneration: \$365,000 per annum (plus superannuation) Mr Short can terminate the agreement with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof. The Company may terminate the contract at any time without notice if a serious misconduct or breach of contract has occurred. As at 30 June 2024, the following Performance Rights remained on issue, with terms and conditions as detailed.

Tranche no.	Target market share price	and continuous service to:	Grant date	Expiry date	Performance rights to vest
May 24 LTI - Tranche 2	\$1.80	30 June 2025	27 May 2024	30 June 2030	314,920
May 24 LTI - Tranche 3	\$2.10	30 June 2026	27 May 2024	30 June 2031	418,637
May 24 LTI - Tranche 4	\$2.40	30 June 2027	27 May 2024	30 June 2032	524,239
May 24 LTI - Tranche 5	\$2.70	30 June 2028	27 May 2024	30 June 2033	627,955

DIRECTORS' REPORT, CONT'D

May 24 LTI vesting conditions

On 27 May 2024, the Company issued a total of 1,885,751 Performance Rights to Mr Short, which will vest and be exercisable upon satisfaction of service condition and performance conditions agreed as part of the LTI. If the share price hurdle for Year 4 and/or Year 5 is satisfied in Year 3, the vesting of Performance Rights for Year 4 and/or Year 5 (as applicable) will be accelerated and vest together with those Year 3 Performance Rights.

In the event of a Corporate Control Event (as defined under clause 2 of the Company's Plan) during any of the specified continued employment periods set out in the table above, the following basis for vesting will instead apply to the Performance Rights in Tranches 2 - 5:

- (a) 40% of the issued Rights will vest immediately; and
- (b) if the Corporate Control Event:
 - (i) Occurs on or before 31 December 2026, then a pro-rata amount of the remaining 60% of the issued Rights, based on the number of days elapsed from 1 January 2024 to the date of the Corporate Control Event, as a proportion of the total number of days from 1 January 2024 to 31 December 2026, will vest on the date of the Corporate Control Event; or
 - (ii) Occurs on or after 31 December 2026, and before the Last Exercise Date of those Rights, then all such remaining and outstanding Rights will vest at the date of the Corporate Control Event.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2024.



DIRECTORS' REPORT, CONT'D

Performance rights

Details of performance rights over ordinary shares granted and vested for directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

Performance Rights Granted

Name	Grant date	Vesting date and exercisable date	Expiry date	Number granted	Value of granted \$
Mr Satya Sharma	27 May 2024	30 June 2025	30 June 2030	628,922	250,437
Mr Satya Sharma	27 May 2024	30 June 2026	30 June 2031	836,052	412,675
Mr Satya Sharma	27 May 2024	30 June 2027	30 June 2032	1,046,948	570,377
Mr Satya Sharma	27 May 2024	30 June 2028	30 June 2033	1,254,078	729,497
Mr Iain Short	27 May 2024	30 June 2025	30 June 2030	314,920	125,401
Mr Iain Short	27 May 2024	30 June 2026	30 June 2031	418,637	206,639
Mr Iain Short	27 May 2024	30 June 2027	30 June 2032	524,239	285,605
Mr Iain Short	27 May 2024	30 June 2028	30 June 2033	627,955	365,281

Performance Rights Vested

Name	Grant date	Vesting date and exercisable date	Expiry date	Number vested
Mr David Dearie	12 December 2019	31 December 2023	31 December 2026	200,000
Mr Warren Randall	12 December 2019	31 December 2023	31 December 2026	100,000
Ms Laura McBain	9 February 2021	31 December 2023	31 December 2026	45,000
Mr Satya Sharma	1 May 2023	1 May 2024	1 May 2026	343,357

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
25 November 2019	31 December 2023	31 December 2026	\$2.250	\$0.96300
25 November 2019	31 December 2024	31 December 2026	\$2.550	\$0.95100
1 July 2021	31 December 2023	31 December 2026	\$2.550	\$3.27000
1 July 2021	31 December 2024	31 December 2026	\$2.550	\$3.27000
29 November 2021	31 December 2023	31 December 2026	\$2.550	\$4.84000
29 November 2021	31 December 2024	31 December 2026	\$2.250	\$4.84000
1 May 2023	1 May 2024	1 May 2026	\$4.000	\$1.32000
1 May 2023	1 May 2024	1 May 2026	\$0.000	\$1.45600
27 May 2024	30 June 2025	30 June 2030	\$1.800	\$0.40000
27 May 2024	30 June 2026	30 June 2031	\$2.100	\$0.49000
27 May 2024	30 June 2027	30 June 2032	\$2.400	\$0.54000
27 May 2024	30 June 2028	30 June 2033	\$2.700	\$0.58000

Performance rights granted carry no dividend or voting rights.

DIRECTORS' REPORT, CONT'D

Additional information

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024 \$	2023 \$	2022 \$	2021 \$	2020 \$
Sales revenue	16,730,759	19,877,457	24,337,904	16,542,984	7,426,459
Profit / (loss) after income tax	(4,567,915)	(4,908,029)	(470,398)	3,441,475	(1,272,296)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr David Dearie	374,986	-	200,000	-	574,986
Mr Warren Randall	2,889,295	-	-	-	2,889,295
Ms Laura McBain	81,000	-	-	-	81,000
Mr Domenic Panaccio	109,954	-	-	-	109,954
Mr Satya Sharma	15,166	-	-	-	15,166
	3,470,401	-	200,000	-	3,670,401

Share Rights

The number of share rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration ^(a)	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Mr David Dearie	-	10,478	-	-	10,478
	-	10,478	-	-	10,478

(a) During the year the Company issued 10,478 Share Rights in lieu of cash fees of \$12,500 as approved by shareholders at the AGM held on 23 November 2023.



DIRECTORS' REPORT, CONT'D

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Mr David Dearie	620,000	-	(200,000)	-	420,000
Mr Warren Randall	300,000	-	-	-	300,000
Ms Laura McBain	90,000	-	-	-	90,000
Mr Satya Sharma ^(a)	540,637	3,766,000	-	-	4,306,637
Mr Iain Short	-	1,885,751	-	-	1,885,751
	1,550,637	5,651,751	(200,000)	-	7,002,388

(a) Mr Satya Sharma's Performance Rights holding include 197,280 performance rights that is part of the Long-Term Incentive plan. Number of Performance Rights have been determined based on estimated grant date, probability of achieving the vesting conditions and the Company's closing share price at 30 June 2023.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

There were no outstanding Options over unissued ordinary shares of Lark Distilling Co. Ltd at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares issued on the exercise of options during the year.

DIRECTORS' REPORT, CONT'D

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Lark Distilling Co. Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number
25 November 2019	31 December 2026	720,000
16 March 2020	31 December 2026	122,000
12 February 2021	31 December 2026	110,000
25 June 2021	31 December 2026	180,000
29 November 2021	31 December 2026	90,000
1 March 2023	1 June 2025	15,734
3 January 2023	1 June 2025	3,252
3 March 2023	1 June 2025	13,006
8 March 2023	1 June 2025	16,783
14 March 2023	1 June 2025	78,671
15 March 2023	1 June 2025	49,825
16 March 2023	1 June 2025	20,979
1 May 2023	1 May 2026	537,274
10 May 2024	10 May 2039	10,478
27 May 2024	30 June 2030	1,151,858
27 May 2024	30 June 2031	1,463,989
27 May 2024	30 June 2032	1,738,220
27 May 2024	30 June 2033	2,055,100
		8,377,169

(a) No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

The following ordinary shares of Lark Distilling Co. Ltd were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
12 December 2019	\$0.000	200,000
30 June 2021	\$0.000	80,000
29 June 2021	\$0.000	25,000
		305,000



DIRECTORS' REPORT, CONT'D

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

DIRECTORS' REPORT, CONT'D

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.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

ROUNDING OF AMOUNTS

Lark Distilling Co. Ltd is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Domenic Panaccio
Non-Executive Chair

27 August 2024



AUDITOR'S INDEPENDENCE DECLARATION



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Lark Distilling Co. Ltd. for the year ended 30 June 2024, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 27 August 2024
Melbourne, Victoria

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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FINANCIAL STATEMENTS

LARK Distilling Co., LTD

ANNUAL
REPORT
2024



Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2024

		Consolidated	
	Note	2024 \$	2023 \$
Revenue			
Revenue	5	16,730,759	19,877,457
Cost of sales		(7,275,291)	(8,151,411)
Gross profit		9,455,468	11,726,046
Other income	6	828,925	383,465
Expenses			
Selling and distribution expenses		(2,980,247)	(3,087,660)
Administration expenses	7	(3,781,276)	(6,401,106)
Employee benefit expense	8	(7,710,000)	(7,366,216)
Depreciation and amortisation	9	(1,062,430)	(877,235)
Costs relating to acquisition and equity raise		-	(346,813)
Loss before interest and tax expense		(5,249,560)	(5,969,519)
Finance costs	10	(267,959)	(267,799)
Finance income		41,660	42,268
Loss before income tax benefit		(5,475,859)	(6,195,050)
Income tax benefit	11	907,944	1,287,021
Loss after income tax benefit for the year attributable to the owners of Lark Distilling Co. Ltd		(4,567,915)	(4,908,029)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Lark Distilling Co. Ltd		(4,567,915)	(4,908,029)
		Cents	Cents
Basic earnings per share	36	(6.05)	(6.51)
Diluted earnings per share	36	(6.05)	(6.51)

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



Statement of financial position

AS AT 30 JUNE 2024

		Consolidated	
	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	12	2,355,162	7,159,778
Trade and other receivables	13	1,095,995	1,994,999
Inventories	14	14,773,179	15,993,162
Prepaid assets	16	97,287	116,820
Total current assets		18,321,623	25,264,759
Non-current assets			
Inventories	14	49,360,108	45,916,614
Property, plant and equipment	17	14,624,543	15,201,278
Right-of-use assets	15	2,101,684	4,521,931
Intangibles	18	21,317,037	21,238,641
Deferred tax	19	4,902,333	3,994,389
Total non-current assets		92,305,705	90,872,853
Total assets		110,627,328	116,137,612
Liabilities			
Current liabilities			
Trade and other payables	20	2,486,518	2,676,684
Financial liabilities	22	506,210	369,906
Employee benefits	23	536,784	463,448
Deferred government grants	24	3,975,000	3,675,000
Total current liabilities		7,504,512	7,185,038
Non-current liabilities			
Financial liabilities	22	1,683,946	4,216,367
Employee benefits	23	75,942	59,664
Total non-current liabilities		1,759,888	4,276,031
Total liabilities		9,264,400	11,461,069
Net assets		101,362,928	104,676,543
Equity			
Issued capital	25	116,486,221	116,486,221
Reserves	26	4,024,173	2,769,873
Accumulated losses		(19,147,466)	(14,579,551)
Total equity		101,362,928	104,676,543

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2024

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	116,448,720	1,976,730	(9,671,522)	108,753,928
Loss after income tax benefit for the year	-	-	(4,908,029)	(4,908,029)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,908,029)	(4,908,029)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 25)	37,501	-	-	37,501
Share-based payments (note 37)	-	793,143	-	793,143
Balance at 30 June 2023	116,486,221	2,769,873	(14,579,551)	104,676,543

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	116,486,221	2,769,873	(14,579,551)	104,676,543
Loss after income tax benefit for the year	-	-	(4,567,915)	(4,567,915)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,567,915)	(4,567,915)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 37)	-	1,254,300	-	1,254,300
Balance at 30 June 2024	116,486,221	4,024,173	(19,147,466)	101,362,928

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



Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated	
		2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,232,470	24,192,173
Payments to suppliers and employees (inclusive of GST)		(18,241,862)	(19,700,209)
Purchase of inventory		(5,870,017)	(10,162,510)
Interest paid		(209,842)	(203,067)
Interest received		41,660	42,268
Government rebates and tax incentives received		828,805	379,755
Net cash used in operating activities	35	(4,218,786)	(5,451,590)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(1,119,850)
Payments for property, plant and equipment		(436,140)	(610,005)
Payments for intangibles		(137,895)	(204,026)
Proceeds from sale of property, plant and equipment		37,000	9,091
Government Grants towards purchase of equipment		300,000	3,675,000
Net cash (used in)/from investing activities		(237,035)	1,750,210
Cash flows from financing activities			
Proceeds from issue of shares		-	37,501
Repayment of borrowings		-	(5,000,000)
Payment of lease liabilities under AASB 16		(348,795)	(272,747)
Net cash used in financing activities		(348,795)	(5,235,246)
Net decrease in cash and cash equivalents		(4,804,616)	(8,936,626)
Cash and cash equivalents at the beginning of the financial year		7,159,778	16,096,404
Cash and cash equivalents at the end of the financial year	12	2,355,162	7,159,778

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

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 1. 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 year. The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Lark Distilling Co. Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
91-93 Macquarie Street
Hobart TAS 7000

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 27 August 2024. The directors have the power to amend and reissue the financial statements.

NOTE 2. MATERIAL ACCOUNTING POLICY INFORMATION

BASIS OF PREPARATION

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements cover Lark Distilling Co. Limited ("Company") and its controlled entities as a Group ("Group"). Lark Distilling Co. Limited is a company limited by shares, incorporated and domiciled in Australia. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Lark Distilling Co Ltd and its controlled entities comply with International Financial Reporting Standards (IFRS). Lark Distilling Co Ltd is a for profit entity for the purpose of preparing the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, 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.

FINANCIAL INSTRUMENTS

Financial Assets

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 2. MATERIAL ACCOUNTING POLICY INFORMATION, CONT'D

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities that are not

- (i) contingent consideration of an acquirer in a business combination,
- (ii) held-for-trading, or
- (iii) designated as at fair value through profit or loss ("FVTPL"), are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets

have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed at each reporting period for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

A controlled entity is any entity that the Company has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Disclosure statement to the consolidated financial statements. All controlled entities have a June financial year-end, except for Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited), which has a December year end; and Australian Whisky Holdings (HK) Limited (former name Montec International (HK) Limited), which has a March year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the Group during the year, their operating results have been included from the date control was obtained.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed to ensure consistencies with those policies applied by the parent entity.

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 2. MATERIAL ACCOUNTING POLICY INFORMATION, CONT'D

Foreign currency translation

The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on the translation of monetary items are recognised in the statement of Profit or Loss and other Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of Profit or Loss and other Comprehensive Income.

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period, where this approximates the rate at date of transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of Financial Position. These differences are recognised in the statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Lark Distilling Co. Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period;



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 2. MATERIAL ACCOUNTING POLICY INFORMATION, CONT'D

or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Goodwill and other indefinite life intangible assets

The Group tests at each reporting period, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 18. Critical accounting judgements, estimates and assumptions have been applied in the assessment of impairment. Further information on the goodwill impairment assessment is included in note 18 to the financial statements.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carried forward losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and carried forward losses. To the extent possible, management's expectation is to utilise the available carried forward losses in the future.

Environmental, Social and Governance

The Group is committed to minimising its environmental footprint and is certified carbon neutral, under the Federal Government's Climate Active Program, one of the most widely recognised carbon neutral programs of its kind.

The Group's operations are not subject to significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia or international markets that Lark export to. The Group's management regularly and routinely monitor compliance with relevant environmental regulations and has established procedures to monitor and manage compliance with existing regulations and new regulations that may be established.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS, CONT'D

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 23, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 4. 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 are 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 representative of 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.

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

During the year ended 30 June 2024, approximately 21.3% of the Group's external revenue was derived from sales to one customer (FY23: 18.5%) with revenue of the Group from direct customers being materially derived from the Australian geographical market.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 4. OPERATING SEGMENTS, CONT'D

Operating segment information

Consolidated - 2024	Whisky \$	Gin \$	Other \$	Total \$
Revenue				
Sales to external customers	13,024,752	2,678,095	1,027,912	16,730,759
Other revenue	645,311	132,686	50,928	828,925
Total revenue	13,670,063	2,810,781	1,078,840	17,559,684
EBITDA	(2,581,684)	(1,298,097)	(307,349)	(4,187,130)
Depreciation and amortisation	(827,093)	(170,063)	(65,274)	(1,062,430)
Finance costs	(208,604)	(42,892)	(16,463)	(267,959)
Interest Income	32,432	6,668	2,560	41,660
Loss before income tax benefit	(3,584,949)	(1,504,384)	(386,526)	(5,475,859)
Income tax benefit				907,944
Loss after income tax benefit				(4,567,915)
Consolidated - 2023	Whisky \$	Gin \$	Other \$	Total \$
Revenue				
Sales to external customers	16,014,758	2,506,771	1,355,928	19,877,457
Other revenue	308,948	48,359	26,158	383,465
Total revenue	16,323,706	2,555,130	1,382,086	20,260,922
EBITDA	(3,406,246)	(1,299,999)	(386,039)	(5,092,284)
Depreciation and amortisation	(706,766)	(110,629)	(59,840)	(877,235)
Finance costs	(215,759)	(33,772)	(18,268)	(267,799)
Interest Income	34,055	5,330	2,883	42,268
Loss before income tax benefit	(4,294,716)	(1,439,070)	(461,264)	(6,195,050)
Income tax benefit				1,287,021
Loss after income tax benefit				(4,908,029)

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM does not review balance sheet information by segment.

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 5. REVENUE

	Consolidated	
	2024 \$	2023 \$
Whisky revenue	13,024,752	16,014,758
Gin revenue	2,678,095	2,506,771
Other revenue	1,027,912	1,355,928
	16,730,759	19,877,457

Revenue recognition

The Group recognises revenue as follows:

Accounting policy for revenue from contracts with customers

Revenue relating to sale of goods is recognised at a point in time. The amount recognised reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct goods to be dispatch; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and returns, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined and consistently applied using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue derived from all sale of inventories to customers is recognised at the time of transfer of ownership of goods. Typically, this occurs at the time of dispatch of goods, unless otherwise specified in the trading terms of that customer. All revenue is stated net of the amount of goods and services tax (GST).

Other revenue

Other revenue is a combination of Hospitality sales of Non-Lark products, as well as other products including Slainte and Brandy, and is recognised when it is received or when the right to receive payment is established.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 6. OTHER INCOME

	Consolidated	
	2024 \$	2023 \$
Excise rebates	350,000	350,000
R&D grant income	444,459	-
Other income	43,877	29,755
Gain / loss on sale of fixed assets	(9,411)	3,710
Other income	828,925	383,465

Accounting policy for R&D tax incentive income

Research and Development tax incentives are recognised in accordance with AASB 120: *Accounting for Government Grants and Government Assistance*. The Research and development tax credit is recognised when there is reasonable assurance that the grant will be received, and all conditions have been complied with.

Accounting policy for excise rebates and other incomes

Excise rebates and other incomes are recognised when it is received or when the right to receive payment is established.

NOTE 7. ADMINISTRATION EXPENSES

	Consolidated	
	2024 \$	2023 \$
Consulting fees	429,091	694,806
Legal fees	40,415	234,243
Directors' fees	262,499	610,001
Insurance costs	247,915	311,561
Inventory losses	71,287	1,331,953
Occupancy costs	622,899	580,686
IT, Licenses & Subscriptions	696,670	546,537
Travel, transport and entertainment	293,633	565,731
Other administrative costs	647,516	897,635
Other corporate costs	469,351	627,953
	3,781,276	6,401,106

Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 8. EMPLOYEE BENEFIT EXPENSE

	Consolidated	
	2024 \$	2023 \$
Salaries and wages	5,478,377	5,715,254
Superannuation	545,410	525,005
Movement in employee benefit provisions	89,613	39,676
Share based payments expense	1,254,300	793,143
Other employee expenses	342,300	293,138
	7,710,000	7,366,216
Employee benefits expense capitalised into inventory	1,890,469	2,353,674

NOTE 9. DEPRECIATION AND AMORTISATION

	Consolidated	
	2024 \$	2023 \$
Depreciation of property, plant and equipment	787,471	577,725
Depreciation of right-of-use assets ("ROU")	215,461	228,227
Amortisation of intangibles	59,498	71,283
	1,062,430	877,235
Depreciation capitalised into inventory	182,357	411,607
ROU Depreciation capitalised into inventory	108,878	-
	291,235	411,607

NOTE 10. FINANCE COSTS

	Consolidated	
	2024 \$	2023 \$
Interest expense	73,417	65,939
Bank and other fees	194,542	201,860
	267,959	267,799

Accounting policy for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 11. INCOME TAX (BENEFIT) / EXPENSE

	Consolidated	
	2024 \$	2023 \$
<i>Income tax (benefit)/expense</i>		
Deferred tax - origination and reversal of temporary differences	(1,163,380)	(1,256,913)
Adjustment in respect of prior year	255,436	(30,108)
Aggregate income tax (benefit) / expense	(907,944)	(1,287,021)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(5,475,859)	(6,195,050)
Tax at the statutory tax rate of 25%	(1,368,965)	(1,548,763)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	313,575	198,286
R&D offset income	(111,115)	-
Other	3,125	6,861
Acquisition related costs	-	86,703
	(1,163,380)	(1,256,913)
Prior year under/(over)	255,436	(30,108)
Income tax benefit	(907,944)	(1,287,021)

The Group qualifies as a base rate entity as defined from the *Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Act 2018*. Accordingly at 30 June 2024, the Group's tax rate 25% in 2023/24 financial year (2022/23: 25%) as per the requirements of the *Treasury Laws Amendment Act 2018*.

	Consolidated	
	2024 \$	2023 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	18,362,305	18,362,305
Potential tax benefit @ 25% (2023:25%)	4,590,576	4,590,576

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed and future taxable profits are available to offset against the carry forward tax losses.

The franking account balance as at 30 June 2024 was Nil (30 June 2023: Nil).

Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 12. CASH AND CASH EQUIVALENTS

	Consolidated	
	2024 \$	2023 \$
<i>Current assets</i>		
Cash on hand	2,313	2,313
Cash at bank	2,352,849	7,157,465
	2,355,162	7,159,778

Accounting policy for cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

NOTE 13. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2024 \$	2023 \$
<i>Current assets</i>		
Trade receivables	1,080,199	1,965,557
Less: Allowance for expected future credit losses	(45,000)	(45,000)
	1,035,199	1,920,557
Other receivables	59,352	19,442
Deposits paid	1,444	55,000
	1,095,995	1,994,999

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 14. INVENTORIES

	Consolidated	
	2024 \$	2023 \$
<i>Current assets</i>		
Raw materials - at cost	1,726,003	2,023,326
Work in progress - at cost	2,776,449	2,605,512
Finished goods - at cost	2,142,783	2,049,282
Inventory in casks	8,597,877	9,940,969
Provision for obsolescence	(469,933)	(625,927)
	14,773,179	15,993,162
<i>Non-current assets</i>		
Inventory in casks	49,136,891	45,693,973
Finished Goods - at cost	223,217	222,641
	49,360,108	45,916,614

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress inventory reflects whisky and gin currently in production but not yet bottled or barrelled.

Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 15. RIGHT-OF-USE ASSETS

	Consolidated	
	2024 \$	2023 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,705,576	5,047,082
Less: Accumulated depreciation	(603,892)	(525,151)
	2,101,684	4,521,931

Reconciliations

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

Consolidated	Land and buildings right-of-use \$	Total \$
Balance at 1 July 2022	1,631,574	1,631,574
Additions	3,118,584	3,118,584
Depreciation expense	(228,227)	(228,227)
Balance at 30 June 2023	4,521,931	4,521,931
Additions	762,146	762,146
Disposals	(2,858,054)	(2,858,054)
Depreciation expense	(324,339)	(324,339)
Balance at 30 June 2024	2,101,684	2,101,684

Additions and disposals of right-of-use assets during the year related to the leasing of property for the storage of whisky.

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between three to seven years.

The Group leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.



Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 16. PREPAID ASSETS

	Consolidated	
	2024 \$	2023 \$
<i>Current assets</i>		
Prepaid packaging and other	97,287	116,820

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2024 \$	2023 \$
<i>Non-current assets</i>		
Land and buildings at cost	9,364,644	9,464,644
Impairment	(529,683)	(529,683)
	8,834,961	8,934,961
Building improvements - at cost	1,645,955	1,514,502
Less: Accumulated depreciation	(956,945)	(607,923)
	689,010	906,579
Plant, equipment & production assets - at cost	6,413,421	6,222,273
Less: Accumulated depreciation	(2,632,297)	(2,032,005)
	3,781,124	4,190,268
Motor vehicles - at cost	94,157	94,157
Less: Accumulated depreciation	(62,522)	(55,712)
	31,635	38,445
Capital work in progress	1,287,813	1,131,025
	14,624,543	15,201,278

Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 17. PROPERTY, PLANT AND EQUIPMENT, CONT'D

Reconciliations

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

Consolidated	Land and buildings \$	Building improvements \$	Plant, equipment and production assets \$	Motor vehicles \$	Capital work in progress \$	Total \$
Balance at 1 July 2022	8,834,961	1,253,393	4,265,771	51,519	866,142	15,271,786
Additions	100,000	-	245,122	-	264,883	610,005
Additions through business combinations	-	-	314,200	-	-	314,200
Disposals	-	-	-	(5,381)	-	(5,381)
Capitalised to inventory	-	-	(406,788)	(4,819)	-	(411,607)
Depreciation expense	-	(346,814)	(228,037)	(2,874)	-	(577,725)
Balance at 30 June 2023	8,934,961	906,579	4,190,268	38,445	1,131,025	15,201,278
Additions	-	31,454	153,148	-	251,538	436,140
Disposals	-	-	(43,047)	-	-	(43,047)
Capitalised to inventory	-	-	(181,930)	(427)	-	(182,357)
Transfers in/(out)	(100,000)	100,000	94,750	-	(94,750)	-
Depreciation expense	-	(349,023)	(432,065)	(6,383)	-	(787,471)
Balance at 30 June 2024	8,834,961	689,010	3,781,124	31,635	1,287,813	14,624,543

Accounting policy for property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Freehold land is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit and loss.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Property, plant and equipment</i>	<i>depreciation rates</i>
Building improvements	2.5% - 44%
Plant, equipment and production assets	5% - 33%
Motor vehicles	10% - 20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 18. INTANGIBLES

	Consolidated	
	2024 \$	2023 \$
<i>Non-current assets</i>		
Goodwill - at cost	20,735,100	20,735,100
Intangible assets - at cost	876,730	738,836
Less: Accumulated amortisation	(294,793)	(235,295)
	581,937	503,541
	21,317,037	21,238,641

Reconciliations

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

Consolidated	Goodwill \$	Other intangibles \$	Total \$
Balance at 1 July 2022	21,231,628	370,798	21,602,426
Additions	-	204,026	204,026
Transfers out to property, plant and equipment	(496,528)	-	(496,528)
Amortisation expense	-	(71,283)	(71,283)
Balance at 30 June 2023	20,735,100	503,541	21,238,641
Additions	-	137,894	137,894
Amortisation expense	-	(59,498)	(59,498)
Balance at 30 June 2024	20,735,100	581,937	21,317,037

Goodwill is attributable to business acquisitions and has been allocated to the Whisky segment (cash generating unit or CGU).

Goodwill is considered to have an indefinite useful life due to the on-going cash generation attributable to the respective CGU and its recoverable value is assessed at each reporting period on a value-in-use (VIU) discounted cash flows basis.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including:

Cash flow forecasts

Forecast future cash flows are based on the most recent board approved six-year financial plans.

The financial plans comprise forecasts of revenue, profit margin, staff costs, selling and distribution costs, and overheads. The financial plans have been based on current and anticipated market conditions, and anticipated costs of expanding to new export markets and have been referenced against industry projections. While the Group have a level of control over the staff and overheads cost, revenue forecasts are inherently subject to uncertainty due to macro-economic factors and timing of expansion into new export markets. The financial plans include assumptions to changes in working capital based on historical and expected future trends.

For the purposes of assessing impairment of goodwill, cash forecasts have assumed that the whisky litres under maturation balance is maintained over time. Capital expenditure has been based on historical and expected future costs to maintain this inventory level.

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 18. INTANGIBLES, CONT'D

Long-term growth rates

Cash forecasts beyond a six-year period have been extrapolated using a conservative terminal growth rate of 2%. The rate has been applied for the purposes of assessing impairment of goodwill only, which Management and the board believe is prudent in assessing for indicators of impairment.

Discount rates

The discount rate applied of 15% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Sensitivity Analysis

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount to fall below carrying values. Management and the board have assessed sensitivity analysis of the impact of reductions to cash flow growth, and increases to the discount rate. Based on the extent of changes to these assumptions required to reduce headroom to nil, Management and the Board are comfortable that there are no indicators of impairment as at 30 June 2024.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments.

Goodwill is tested for impairment at each reporting period and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Other intangible assets

Other intangible assets including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 18. INTANGIBLES, CONT'D

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Intangible asset	Useful life
Other intangible assets	5-8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTE 19. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	Consolidated	
	2024 \$	2023 \$
Deferred tax asset and liabilities comprises deductible temporary differences attributable to:		
Tax losses	4,324,144	3,407,650
Inventories	13,030	15,283
Provisions and accruals	353,001	372,757
Other liabilities	547,539	1,146,568
Capital raising costs	210,757	367,811
Foreign exchange	(388)	55
Other	78,732	63,857
Fixed assets and right of use assets	(600,160)	(1,350,386)
Prepayments	(24,322)	(29,206)
Net deferred tax asset	4,902,333	3,994,389
Movements:		
Opening balance	3,994,389	2,525,040
Credited to profit or loss (note 11)	907,944	1,287,021
Additions through business combinations	-	182,328
Closing balance	4,902,333	3,994,389

Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 20. TRADE AND OTHER PAYABLES

	Consolidated	
	2024 \$	2023 \$
<i>Current liabilities</i>		
Trade payables	1,136,664	1,053,024
Sundry creditors and accrued expenses	1,349,854	1,623,660
	2,486,518	2,676,684

Refer to note 27 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 21. BORROWINGS

The Company maintains a \$15 million debt facility from National Australia Bank. The key terms of the debt facility from National Australia Bank are as follows:

- Facility amount up to \$15,000,000;
- Interest rate based on BBSY+ 2.09% per annum;
- Interest only loan with principal due at the end of the term;
- Maturity on 31 January 2028; and
- Financial covenant – The Tangible Net Worth of the Group must not be less than \$60,000,000. Tangible Net Worth is defined as the Total Tangible Assets less Total Liabilities under IFRS.

Assets pledged as security

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

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 22. FINANCIAL LIABILITIES

	Consolidated	
	2024 \$	2023 \$
<i>Current liabilities</i>		
Lease liability	506,210	369,906
<i>Non-current liabilities</i>		
Lease liability	1,683,946	4,216,367

The carrying value of lease liabilities is determined based on cash cost and term of leases, with future lease payments discounted to present value using the Group's assessed incremental borrowing rate.

Refer note 27 for further information lease maturity and interest rates.

Accounting policy for financial liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 23. EMPLOYEE BENEFITS

Current liabilities:

	Consolidated	
	2024 \$	2023 \$
<i>Current liabilities</i>		
Employee benefits - current	536,784	463,448
<i>Non-current liabilities</i>		
Employee benefits	75,942	59,664

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 23. EMPLOYEE BENEFITS, CONT'D

Accounting policy for employee benefits

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Short-term employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 24. DEFERRED GOVERNMENT GRANTS

	Consolidated	
	2024 \$	2023 \$
<i>Current liabilities</i>		
Deferred government grants	3,975,000	3,675,000

Government grant

Grants from the government are recognised at their fair value (where there is a reasonable assurance that the grant will be received), and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

NOTE 25. ISSUED CAPITAL

	Consolidated			
	2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid	75,743,044	75,430,044	116,486,221	116,486,221



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 25. ISSUED CAPITAL, CONT'D

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	75,306,377		116,448,720
Exercise of options	9 September 2022	16,667	\$2.250	37,501
Exercise of performance rights	17 October 2022	57,000	\$0.000	-
Exercise of performance rights	28 February 2023	30,000	\$0.000	-
Exercise of performance rights	14 March 2023	20,000	\$0.000	-
Balance	30 June 2023	75,430,044		116,486,221
Exercise of performance rights	7 September 2023	10,000	\$0.000	-
Exercise of performance rights	27 December 2023	8,000	\$0.000	-
Exercise of performance rights	21 February 2024	260,000	\$0.000	-
Exercise of performance rights	13 March 2024	35,000	\$0.000	-
Balance	30 June 2024	75,743,044		116,486,221

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.

Accounting policy for issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Lark Distilling Co. Ltd

Notes to the financial statements

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NOTE 26. RESERVES

	Consolidated	
	2024 \$	2023 \$
Foreign currency reserve	48,466	48,466
Share-based payments reserve	3,975,707	2,721,407
	4,024,173	2,769,873

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

NOTE 27. FINANCIAL INSTRUMENTS

a. Financial Risk Management Policy

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.

The Board and Management monitor risks on a regular basis as part of formal board meeting and ad-hoc management discussion.

i. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are liquidity risks, foreign currency risk and credit risk.

Liquidity risks

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

Foreign currency risk

The Group does not have any material foreign currency risk exposure.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2024 (30 June 2023: Nil).

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

b. Financial Instruments

i. Derivative Financial Instruments

The Group has not participated in the use of any derivative financial instruments during the year.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 27. FINANCIAL INSTRUMENTS, CONT'D

ii. Financial instrument composition and maturity analysis

The tables below reflect the weighted average effective interest rate on classes of financial assets and financial liabilities:

Financial Assets

	Non-interest Bearing 2024 \$	Non-interest Bearing 2023 \$	Total 2024 \$	Total 2023 \$
Cash	2,355,162	7,159,778	2,355,162	7,159,778
Trade and other receivables	1,095,995	1,994,999	1,095,995	1,994,999

Financial liabilities	Total 2024 \$	Total 2023 \$
Trade payables	2,486,518	2,676,684

Leases	Implicit interest rate 2024 %	Implicit interest rate 2023 %	Total 2024 \$	Total 2023 \$
Operating leases	2.70%	2.70%	2,190,156	4,586,273

Trade and other payables are expected to be paid as follows:

	30 June 2024 \$	30 June 2023 \$
Less than 6 months	2,486,518	2,676,684

	Consolidated	
	2024 \$	2023 \$
<i>Maturity analysis of total lease liabilities as at the reporting date are as follows:</i>		
1 year or less	573,000	582,217
Between 1 and 2 years	511,368	551,853
Between 2 and 5 years	430,745	1,542,670
Over 5 years	945,247	3,195,216
	2,460,360	5,871,956

On 15 October 2021, the Group secured a \$15 million secured loan facility. In February 2024, the facility was extended until January 2028.

Lark Distilling Co. Ltd

Notes to the financial statements

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NOTE 27. FINANCIAL INSTRUMENTS, CONT'D

	Consolidated	
	2024 \$	2023 \$
Undrawn	15,000,000	15,000,000

Interest Rate Risk and Foreign Currency Risk

The Group has not performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date as these risks are not material to the Group.

Remaining contractual maturities

The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The Group does not expect these payments to eventuate earlier.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of Lark Distilling Co. Ltd during the financial year:

Mr Domenic Panaccio	Non-Executive Chair -appointed Non-Executive Chair on 24 January 2024
Mr David Dearie	Non-Executive Director - resigned Non-Executive Chair and appointed Non- Executive Director on 24 January 2024
Ms Laura McBain	Non-Executive Director
Mr Warren Randall	Non-Executive Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Mr Satya Sharma	Chief Executive Officer
Mr Iain Short	Chief Financial Officer

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2024 \$	2023 \$
Short-term benefits to employee / consultants	1,411,114	1,503,589
Share-based payments	1,134,511	401,105
	2,545,625	1,904,694



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company:

	Consolidated	
	2024 \$	2023 \$
<i>Audit or review of the financial statements</i>		
RSM Australia Partners	103,500	75,000
Deloitte Touche Tohmatsu	-	82,000
	103,500	157,000

RSM Australia Partners replaced Deloitte Touche Tohmatsu (Resigned as auditor on 5 April 2023), as the auditor of the Company following the completion of the half year review for the period ended 31 December 2022.

NOTE 30. COMMITMENTS AND CONTINGENT LIABILITIES

The Group is in planning phase for distillery expansion, but no commitments have been made in relation to these capital costs as at the date of this report.

There are no other commitments for the Group for the period ended 30 June 2024.

The Group had no contingent liabilities as at 30 June 2024 and 30 June 2023.

NOTE 31. RELATED PARTY TRANSACTIONS

Parent entity

Lark Distilling Co. Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

During the period ended 30 June 2024, the Group made purchases amounting to \$53,118 (30 June 2023: \$144,558) 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 Lark. There was no balance payable or receivable as at the period ended 30 June 2024 (30 June 2023: Nil).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Lark Distilling Co. Ltd
Notes to the financial statements
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NOTE 32. PARENT ENTITY INFORMATION

Statement of financial position

	Parent	
	2024 \$	2023 \$
Total current assets	1,233,819	4,504,520
Total assets	105,157,352	106,314,857
Total current liabilities	1,836,896	2,269,843
Total liabilities	2,461,765	3,649,434
Equity		
Issued capital	116,486,222	116,486,222
Foreign currency reserve	16,397	16,397
Share-based payments reserve	3,975,707	2,721,407
Accumulated losses	(17,782,739)	(16,558,603)
Total equity	102,695,587	102,665,423

Financial performance

	Parent	
	2024 \$	2023 \$
Loss for the year	1,236,901	2,578,503
Other comprehensive loss	-	-
Total comprehensive loss	1,236,901	2,578,503

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 33. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Australian Whisky Holdings Bothwell Pty Ltd	Level 1, 91-93 Macquarie Street 7000	100.00%	100.00%
Australian Whisky Holdings Services Pty Ltd	Level 1, 91-93 Macquarie Street 7000	100.00%	100.00%
Australian Whisky Holdings Management Pty Ltd	Level 1, 91-93 Macquarie Street 7000	100.00%	100.00%
Aowei Liquor Industries Beijing Limited	Beijing PRC 100022	100.00%	100.00%
Australian Whisky Holdings (HK) Limited	Kowloon, Hong Kong	100.00%	100.00%
Lark Distillery Pty Ltd	40 Denholms Road, Cambridge, TAS 7170	100.00%	100.00%
Kernke Family Shene Estate Pty Ltd	76 Shene Rd, Pontville TAS 7030	100.00%	100.00%
Shene Distillery Pty Ltd	76 Shene Rd, Pontville TAS 7030	100.00%	100.00%
ACN 167 487 050 Pty Ltd	14 Davey St, TAS 7000	100.00%	100.00%

NOTE 34. EVENTS AFTER THE REPORTING PERIOD

On 29 July 2024, the Company announced that it entered into a Heads of Agreement for a Strategic Partnership with Seppeltsfield Wines Pty Limited, an entity associated with Non-Executive Director, Warren Randall. The Strategic Partnership will secure access to, and exclusivity over, premium oak barrels for Lark, formalising first right of use arrangements to provide certainty over Lark's future maturation requirements. The Heads of Agreement is in place with contract to be signed subject to completion of the Conditional Placement to Seppeltsfield Wines Pty Ltd detailed below.

On 29 July 2024, the Company announced that it is undertaking a \$22.5 million equity raising in three (3) tranches.

- a \$15.0 million conditional placement at \$0.85 per new share to Seppeltsfield Wines Pty Ltd, an entity associated with Warren Randall (raising approximately \$14.5 million), Domenic Panaccio (raising approximately \$0.25 million) and David Dearie (raising approximately \$0.25 million), subject to shareholder approval at an extraordinary general meeting ("EGM") to be held on 30 August 2024.
- an unconditional institutional placement at \$0.85 per new share to raise approximately \$6.5 million. The institutional placement was completed on 30 July 2024 and the Company issued 7,647,059 new Shares on 2 August 2024.
- a non-underwritten share purchase plan intending to raise up to \$1.0 million at \$0.85 per new Share to eligible Lark shareholders to be completed during August 2024. The plan was almost 5 times oversubscribed versus the original target, with a scale back of applications resulting in a total amount of \$3.5 million to be raised. The new shares are scheduled to be issued 27th August 2024.

The equity raise will provide Lark with additional balance sheet capacity to invest in the Lark brand and facilities over the next two years to drive the export strategy and accelerate growth.

No other matter or circumstance has arisen since 30 June 2024 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.

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30 JUNE 2024

NOTE 35. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2024 \$	2023 \$
Loss after income tax benefit for the year	(4,567,915)	(4,908,029)
Adjustments for:		
Depreciation and amortisation	1,062,430	877,235
Net loss/(gain) on disposal of property, plant and equipment	9,411	(3,710)
Movement in deferred taxes related to acquisition	-	182,328
Non-cash share-based payments	1,254,300	793,143
Change in operating assets and liabilities:		
Decrease in trade and other receivables	899,009	2,115,424
Increase in inventories	(1,932,275)	(1,326,436)
Increase in deferred tax assets	(907,944)	(1,469,349)
Decrease in prepayments	19,533	63,771
Increase in other provisions	89,613	39,676
Decrease/Increase in trade creditors and accruals	(144,948)	(1,815,643)
Net cash used in operating activities	(4,218,786)	(5,451,590)

NOTE 36. LOSS PER SHARE

	Consolidated	
	2024 \$	2023 \$
Loss after income tax attributable to the owners of Lark Distilling Co. Ltd	(4,567,915)	(4,908,029)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	75,549,466	75,375,916
Weighted average number of ordinary shares used in calculating diluted earnings per share	75,549,466	75,375,916
	Cents	Cents
Basic earnings per share	(6.05)	(6.51)
Diluted earnings per share	(6.05)	(6.51)

As at 30 June 2024, the Group had 8,370,054 Performance Rights over ordinary shares, and 10,478 share rights issued in lieu of cash payment, which are excluded from the calculation of basic and diluted earnings per share. These equity instruments are considered to be anti-dilutive, as their inclusion would not decrease earnings per share nor increase the loss per share, from continuing operations.



Lark Distilling Co. Ltd

Notes to the financial statements

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NOTE 36. LOSS PER SHARE, CONT'D

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lark Distilling Co. Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 37. SHARE-BASED PAYMENTS

Employee incentive plan

An employee incentive plan ("Plan") has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Board, grant Options and Performance Rights over ordinary shares in the Company to eligible key management personnel and employees of the Group. These Options and Performance Rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

The valuations of Options and Performance Rights issued under the Plan are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued. Set out below are summaries of Performance Rights granted, exercised and expired / forfeited under the Plan and their vesting conditions;

Tranche name	Vesting condition
2020 H1 - Tranche 1	Target Market Share Price \$1.35 and Service Condition 31 December 2020
2020 H1 - Tranche 2	Target Market Share Price \$1.65 and Service Condition 31 December 2021
2020 H1 - Tranche 3	Target Market Share Price \$1.95 and Service Condition 31 December 2022
2020 H1 - Tranche 4	Target Market Share Price \$2.25 and Service Condition 31 December 2023
2020 H1 - Tranche 5	Target Market Share Price \$2.55 and Service Condition 31 December 2024
2020 H2 - Tranche 2	Target Market Share Price \$1.65 and Service Condition 31 December 2021
2020 H2 - Tranche 3	Target Market Share Price \$1.95 and Service Condition 31 December 2022
2020 H2 - Tranche 4	Target Market Share Price \$2.25 and Service Condition 31 December 2023
2020 H2 - Tranche 5	Target Market Share Price \$2.55 and Service Condition 31 December 2024
2021 H2 - Tranche 4	Target Market Share Price \$2.25 and Service Condition 31 December 2023
2021 H2 - Tranche 5	Target Market Share Price \$2.55 and Service Condition 31 December 2024
2021 H2 - Tranche 3	Target Market Share Price \$1.95 and Service Condition 31 December 2022
2022 H1 - Tranche	12 months from grant date, Continued Service
2023 H2 - Tranche 1	Service condition until 30 June 2025
2023 H2 - Tranche 2	Target Market Share Price \$3.814 and service condition until 30 June 2025
May 23 CEO Sign-on Share Rights	12 months from grant date, Continued Service
May 23 CEO LTI	May 2023 CEO LTI vesting condition*
May 24 LTI - Tranche 1	Continued Service to 30 June 2025
May 24 LTI - Tranche 2	Target Market Share Price \$1.80 and Continued Service to 30 June 2025**
May 24 LTI - Tranche 3	Target Market Share Price \$2.10 and Continued Service to 30 June 2026**
May 24 LTI - Tranche 4	Target Market Share Price \$2.40 and Continued Service to 30 June 2027**
May 24 LTI - Tranche 5	Target Market Share Price \$2.70 and Continued Service to 30 June 2028**

Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 37. SHARE-BASED PAYMENTS, CONT'D

• May 23 CEO LTI vesting condition

Mr Sharma's long-term incentives are intended to be in the form of Share Rights to acquire Shares in the Company valued at up to \$975,000. The performance rights will vest and be exercisable upon the satisfaction of service condition and performance conditions, which were agreed as part of the LTI. 197,280 performance rights noted in Mr Sharma's performance rights table and their fair value for accounting purposes have been determined based on estimated grant date, probability of achieving the vesting conditions and the Company's closing share price at 30 June 2023. Actual number of performance rights may be different at the grant date. The table below provide further detail of how Mr Sharma's entitlement is to be determined.

Target market share price	Value of entitlement (AUD)	Notes
\$4.00	\$195,000	-
>\$4.00 to \$5.00	>\$195,000 to \$650,000	Entitlement is \$195,000 plus additional entitlement determined on a pro-rata, straight line basis from \$4.00 to \$5.00.
>\$5.00 to \$6.00	>\$650,000 to \$975,000	Entitlement is \$650,000 plus additional entitlement determined on a pro-rata, straight line basis from \$5.00 to \$6.00.

** May 24 LTI vesting conditions

In May 2024, the Company issued 6,409,167 Performance Rights to employees and key management personal which will vest and be exercisable upon satisfaction of service condition and performance conditions agreed as part of the LTI. If the share price hurdle for Year 4 and/or Year 5 is satisfied in Year 3, the vesting of Performance Rights for Year 4 and/or Year 5 (as applicable) will be accelerated and vest together with those Year 3 Performance Rights.

In the event of a Corporate Control Event (as defined under clause 2 of the Company's Plan) during any of the specified continued employment periods set out in the table above, the following basis for vesting will instead apply to the Performance Rights in Tranches 2 - 5:

- (a) 40% of the issued Rights will vest immediately; and
- (b) if the Corporate Control Event:
 - (i) Occurs on or before 31 December 2026, then a pro-rata amount of the remaining 60% of the issued Rights, based on the number of days elapsed from 1 January 2024 to the date of the Corporate Control Event, as a proportion of the total number of days from 1 January 2024 to 31 December 2026, will vest on the date of the Corporate Control Event; or
 - (ii) Occurs on or after 31 December 2026, and before the Last Exercise Date of those Rights, then all such remaining and outstanding Rights will vest at the date of the Corporate Control Event.



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 37. SHARE-BASED PAYMENTS, CONT'D

2024

Grant date	Expiry date	Tranche name	Balance at the start of the year	Granted	Exercised/ converted	Expired/ other changes	Balance at the end of the year
25 November 2019	31 December 2026	2020 H1 - Tranche 3	70,000	-	-	-	70,000
25 November 2019	31 December 2026	2020 H1 - Tranche 4	300,000	-	(200,000)	-	100,000
25 November 2019	31 December 2026	2020 H1 - Tranche 5	550,000	-	-	-	550,000
16 March 2020	31 December 2026	2020 H2 - Tranche 3	30,000	-	(8,000)	-	22,000
16 March 2020	31 December 2026	2020 H2 - Tranche 4	90,000	-	-	-	90,000
27 February 2020	31 December 2026	2020 H2 - Tranche 5	105,000	-	-	-	105,000
12 February 2021	31 December 2026	2021 H2 - Tranche 3	10,000	-	(10,000)	-	-
12 February 2021	31 December 2026	2021 H2 - Tranche 4	130,000	-	(95,000)	-	35,000
25 June 2021	31 December 2026	2021 H2 - Tranche 5	160,000	-	-	-	160,000
29 November 2021	31 December 2026	2021 H2 - Tranche 4	45,000	-	-	-	45,000
29 November 2021	31 December 2026	2021 H2 - Tranche 5	45,000	-	-	-	45,000
1 July 2022	1 June 2025	2023 H2 - Tranche 1	39,652	-	-	-	39,652
1 July 2022	1 June 2025	2023 H2 - Tranche 2	158,598	-	-	-	158,598
1 May 2023	1 May 2026	May 23 CEO Sign-on rights	343,357	-	-	-	343,357
1 May 2023	1 May 2026	May 23 CEO LTI	197,280	-	-	-	197,280
27 May 2024	30 June 2030	May 24 LTI - Tranche 1	-	45,633	-	-	45,633
27 May 2024	30 June 2030	May 24 LTI - Tranche 2	-	1,106,225	-	-	1,106,225
27 May 2024	30 June 2031	May 24 LTI - Tranche 3	-	1,463,989	-	-	1,463,989
27 May 2024	30 June 2032	May 24 LTI - Tranche 4	-	1,738,220	-	-	1,738,220
27 May 2024	30 June 2033	May 24 LTI - Tranche 5	-	2,055,100	-	-	2,055,100
			2,273,887	6,409,167	(313,000)	-	8,370,054

Lark Distilling Co. Ltd
Notes to the financial statements
30 JUNE 2024

NOTE 37. SHARE-BASED PAYMENTS, CONT'D

2023

Grant date	Expiry date	Tranche name	Balance at the start of the year	Granted	Exercised/converted	Expired/other changes	Balance at the end of the year
25 November 2019	31 December 2026	2020 H1 - Tranche 3	70,000	-	-	-	70,000
25 November 2019	31 December 2026	2020 H1 - Tranche 4	300,000	-	-	-	300,000
25 November 2019	31 December 2026	2020 H1 - Tranche 5	550,000	-	-	-	550,000
16 March 2020	31 December 2026	2020 H2 - Tranche 3	60,000	-	(30,000)	-	30,000
16 March 2020	31 December 2026	2020 H2 - Tranche 4	90,000	-	-	-	90,000
27 February 2020	31 December 2026	2020 H2 - Tranche 5	105,000	-	-	-	105,000
12 February 2021	31 December 2026	2021 H2 - Tranche 3	50,000	-	-	(40,000)	10,000
12 February 2021	31 December 2026	2021 H2 - Tranche 4	130,000	-	-	-	130,000
25 June 2021	31 December 2026	2021 H2 - Tranche 5	160,000	-	-	-	160,000
1 July 2021	31 December 2026	2021 H2 - Tranche 5	130,000	-	-	(130,000)	-
1 July 2021	31 December 2026	2021 H2 - Tranche 4	100,000	-	-	(100,000)	-
18 October 2021	17 October 2022	2022 H1 - Tranche	60,500	-	(57,000)	(3,500)	-
29 November 2021	31 December 2026	2021 H2 - Tranche 4	45,000	-	-	-	45,000
29 November 2021	31 December 2026	2021 H2 - Tranche 5	45,000	-	-	-	45,000
1 July 2022	1 June 2025	2023 H2 - Tranche 1	-	39,652	-	-	39,652
1 July 2022	1 June 2025	2023 H2 - Tranche 2	-	158,598	-	-	158,598
1 May 2023	1 May 2026	May 23 CEO Sign-on rights	-	343,357	-	-	343,357
1 May 2023	1 May 2026	May 23 CEO LTI	-	197,280	-	-	197,280
			1,895,500	738,887	(87,000)	(273,500)	2,273,887

The weighted average share price during the financial year was \$1.29 (2023: \$2.18).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 6.43 years (June 2023: 3.21 years).

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2024 Number	2023 Number
25 November 2019	31 December 2026	70,000	70,000
16 March 2020	31 December 2026	22,000	30,000
12 February 2021	31 December 2026	-	10,000
25 November 2019	31 December 2026	100,000	-
16 March 2020	31 December 2026	53,334	-
12 February 2021	31 December 2026	68,332	-
25 June 2021	31 December 2026	3,334	-
29 November 2021	31 December 2026	45,000	-
1 May 2023	1 May 2026	343,357	-
		705,357	110,000



Lark Distilling Co. Ltd

Notes to the financial statements

30 JUNE 2024

NOTE 37. SHARE-BASED PAYMENTS, CONT'D

For the performance rights granted during the current financial 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	Vesting hurdle	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/05/2024	30/06/2030	\$0.990	\$0.000	54.00%	-	2.83%	\$0.99000
27/05/2024	30/06/2030	\$0.990	\$1.800	54.00%	-	2.83%	\$0.40000
27/05/2024	30/06/2031	\$0.990	\$2.100	54.00%	-	2.83%	\$0.49000
27/05/2024	30/06/2032	\$0.990	\$2.400	54.00%	-	2.83%	\$0.54000
27/05/2024	30/06/2033	\$0.990	\$2.700	54.00%	-	2.83%	\$0.58000

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Lark Distilling Co. Ltd
Consolidated entity disclosure statement
30 JUNE 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Australian Whisky Holdings Bothwell Pty Ltd	Body corporate	Level 1, 91-93 Macquarie Street 7000	100.00%	Australia
Australian Whisky Holdings Services Pty Ltd	Body corporate	Level 1, 91-93 Macquarie Street 7000	100.00%	Australia
Australian Whisky Holdings Management Pty Ltd	Body corporate	Level 1, 91-93 Macquarie Street 7000	100.00%	Australia
Aowei Liquor Industries Beijing Limited	Body corporate	Beijing PRC 100022	100.00%	China
Australian Whisky Holdings (HK) Limited	Body corporate	Kowloon, Hong Kong	100.00%	Hong Kong
Lark Distillery Pty Ltd	Body corporate	40 Denholms Road, Cambridge, TAS 7170	100.00%	Australia
Kernke Family Shene Estate Pty Ltd	Body corporate	76 Shene Rd, Pontville TAS 7030	100.00%	Australia
Shene Distillery Pty Ltd	Body corporate	76 Shene Rd, Pontville TAS 7030	100.00%	Australia
ACN 167 487 050 Pty Ltd	Body corporate	14 Davey St, TAS 7000	100.00%	Australia



Lark Distilling Co. Ltd Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Domenic Panaccio
Non-Executive Chair

27 August 2024

Lark Distilling Co. Ltd

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT To the Members of Lark Distilling Co. Ltd

Opinion

We have audited the financial report of Lark Distilling Co. Ltd (the Company) and its subsidiaries (the Group, which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

THE POWER OF BEING UNDERSTOOD

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Lark Distilling Co. Ltd

Independent Auditor's Report



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 5 in the financial statements	
Revenue for the year ended 30 June 2024 was \$16.7 million. Revenue recognition was considered a Key Audit Matter due to the materiality and significance of the balance.	Our audit procedures in relation to the recognition of revenue included: - Assessing whether the Group's revenue recognition policies were in compliance with AASB 15 <i>Revenue from Contracts with Customers</i>; - Evaluating and testing the operating effectiveness of the Group's internal controls related to revenue recognition; - Performing tests of detail on a sample basis to test the validity and accuracy of revenue transactions, including the inspection of sales contracts and delivery documentation; - Performing cut-off testing over transactions recorded either side of the period end, to ensure that revenues were recorded in the appropriate period; and - Assessing the appropriateness of the disclosures in the financial report.

Lark Distilling Co. Ltd

Independent Auditor's Report



Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Valuation of inventory Refer to Note 14 in the financial statements	
The Group has inventory with a carrying value of \$64.1 million as at 30 June 2024. The existence and valuation of inventory is considered a Key Audit Matter, due to the materiality of the balance, and the significant judgments involved in: - Valuing finished goods, including assumptions about the conversion costs of direct labour, overheads, utilities, raw materials and other variable costs; - Assessing the net realisable value of inventories; and - The determination of a provision for obsolescence.	Our audit procedures in relation to the valuation of inventory included: - Performing analytical procedures on the inventory balance; - Attending year end inventory counts for a sample of locations; - Testing inventory costing by verifying the key inputs in the costing calculations against supporting documentation and evaluating the reasonableness of management's estimates; - Verifying that inventory is being held at the lower of cost and net realisable value; - Assessing the reasonableness of the Group's inventory methodology for determining the provision for obsolescence and its application; and - Evaluating management assumptions and estimates applied to the provision for obsolescence through analysis of historical sales levels by inventory product.



Lark Distilling Co. Ltd

Independent Auditor's Report



Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Impairment of goodwill and intangible assets Refer to Note 18 in the financial statements	
The Group has goodwill and intangible assets of \$21.3 million as at 30 June 2024. Management is required to assess the intangible assets for impairment in accordance with AASB 136 <i>Impairment of Assets</i>, with a value in use cashflow model needing to be prepared for each identified cash-generating-unit (CGU). There is an inherent risk that the future cash flows of each CGU do not support the carrying value of intangible assets. Managements' assessment of the 'value in use' of the CGU involves judgements about the future underlying cash flows of the CGU and the discount rates applied to them. For the year ended 30 June 2024 management have performed impairment assessments over the Intangibles and Goodwill by: - Identifying the CGUs to which the goodwill belongs; - Calculating the value in use for the CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the CGU for 6 years; - The model includes a terminal growth rate applied to the 6th year; - These cash flows were then discounted to net present value using CGU specific weighted average cost of capital ("WACC"); and - Comparing the resulting value in use of the CGU to the respective book values.	Our audit procedures in relation to impairment of intangibles and goodwill included: - Assessing management's determination of the CGU applied to the goodwill based on the nature of the Group's business and the manner in which results are monitored and reported; - Assessing the overall valuation methodology used to determine the value in use; - Checking the mathematical accuracy of the discounted cash flow models and reconcile input data to supporting evidence; - Considering and challenging the reasonableness of key assumptions, including the cash flow projections, budgets, revenue growth rate, discount rates and sensitivities used; and - Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies.

Lark Distilling Co. Ltd

Independent Auditor's Report



Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b. the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.



Lark Distilling Co. Ltd Independent Auditor's Report



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 37 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Lark Distilling Co. Ltd, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Date: 27 August 2024
Melbourne, Victoria

Lark Distilling Co. Ltd Shareholder Information

30 JUNE 2024

The shareholder information set out below was applicable as at 12 August 2024

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

Fully Paid Ordinary Shares	Number of holders of ordinary shares	Number of ordinary shares held	Percentage of ordinary shares held
1 to 1,000	1,963	847,586	1.02%
1,001 to 5,000	1,230	2,958,753	3.55%
5,001 to 10,000	313	2,317,476	2.78%
10,001 to 100,000	332	9,305,408	11.16%
100,001 and over	65	67,960,880	81.50%
	3,903	83,390,103	100.00%
Holding less than a marketable parcel	1,327	346,039	0.4149%
Unquoted Performance Rights – Issued under the Company's Employee Incentive Plan	Number of holders of rights	Number of ordinary rights held	Percentage of rights held
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	12	580,548	93.07%
100,001 and over	8	7,796,621	6.93%
	20	8,377,169	100.00%
Holding less than a marketable parcel	-	-	-



Lark Distilling Co. Ltd Shareholder Information

30 JUNE 2024

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Ordinary shares		
	Number held	% of total shares issued
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	15,597,364	18.704
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,359,971	11.224
CITICORP NOMINEES PTY LIMITED	7,322,224	8.781
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,962,235	4.751
BAINBRIDGE FAMILY PTY LTD <BAINBRIDGE FAMILY A/C>	3,782,723	4.536
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,333,678	3.998
SEPPELTSFIELD PTY LTD <SEPPLESFIELD ESTATE A/C>	2,889,295	3.465
MR TIMOTHY TULLOCH BROCK LEWIS & MRS CATHERINE ANNE LEWIS <JG LEWIS NO2 WILL A/C>	1,544,166	1.852
LEE MING-TEE	1,411,765	1.693
GLENLORE SUPER PTY LTD <GLENLORE SUPER SCHEME A/C>	1,253,278	1.503
RHODIUM CAPITAL PTY LTD <RHODIUM INVESTMENT A/C>	1,166,666	1.399
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,004,728	1.205
MARK MURTON PTY LTD <MARK MURTON P/L S/F A/C>	1,001,666	1.201
REX FAMILY PENSION PLAN PTY LTD <REX FAMILY PENSION PLAN A/C>	945,000	1.133
FAIRISLE HOLDINGS PTY LIMITED <THE TILANBI A/C>	843,450	1.011
PJ & KE O'DWYER SUPER PTY LTD <PJ & KE O'DWYER S/F A/C>	750,000	0.899
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	732,756	0.879
GJ BAINBRIDGE SUPER FUND PTY LTD <BAINBRIDGE S/F NO 1 A/C>	638,928	0.766
PARAMUL PTY LTD <LENNON SUPER FUND A/C>	476,416	0.571
SUETONE PTY LTD <THE AK SHADFORTH FAMILY A/C>	473,999	0.568
	58,490,308	70.141

Unquoted equity securities

There are no unquoted equity securities.

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

Ordinary shares		
	Number held	% of total shares issued
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	16,538,716	19.83%
PERENNIAL VALUE MANAGEMENT LIMITED	9,859,374	13.02%
LEE MING-TEE	5,971,765	7.16%

Lark Distilling Co. Ltd Shareholder Information

30 JUNE 2024

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

CORPORATE GOVERNANCE STATEMENT

The Company's 2024 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: <https://larkdistillery.com/investor-centre/>

ANNUAL GENERAL MEETING AND DIRECTOR NOMINATION

Lark Distilling Co. Ltd advises that its Annual General Meeting will be held on or about Wednesday, 20 November 2024. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Wednesday, 2 October 2024. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Wednesday, 2 October 2024 at the Company's Registered Office. The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

For personal use only



A close-up photograph of a wooden barrel, likely for wine or spirits. The barrel is made of dark wood with visible staves and metal hoops. The text 'J. DUBOIS' is printed in a large, bold, serif font across the middle of the barrel. Below it, the word 'BOURGOGNE' is printed in a smaller, similar font. The background is a light-colored, textured surface, possibly a wall or a large piece of wood.

2430

29.0Kg
8084



LARK

SINGLE MALT WHISKY

LARK Distilling Co. LTD

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