

Business Update: Appointment of Spirits Platform as Lark's Domestic Distributor Partner & confirmation of June Quarter Trading

Lark Distilling Co. Ltd (ASX: LRK) ("LARK" or the "Company") is pleased to provide a business update for a change in the Company's domestic sales model with the appointment of Spirits Platform as Lark's domestic Distributor Partner, and a trading update for Q4FY24 with results in line with expectations.

Lark CEO Sash Sharma added *"we are delighted to announce that we have appointed Spirits Platform as our domestic Distribution Partner. Spirits Platform are Australia's leading Independent Spirits Distributor, with an impressive and diversified portfolio covering a wide range of spirits and liqueurs. Importantly, they are the market leader in Ultra-Premium and above Single Malt Whisky in Australia and have a strong track record of building brands for long-term success in the Australian market."*

Change in Domestic Sales Model

Spirits Platform (SP) has been appointed as our domestic Distributor Partner, with a five-year Distribution Agreement. SP is Australia's leading Independent Spirits Distributor, established in 2015 by ex-Suntory Australia Management team. SP is majority owned by its management team, with minority shareholders Remy Cointreau & Zamora. Their diversified portfolio covers a wide range of spirits & liqueurs, including the Remy Cointreau and Edrington brands meaning the notable inclusion Remy Martin (including Louis XIII), The Macallan, Highland Park, and Bruichladdich. Lark's inclusion alongside these brands provides significant portfolio strength, neatly overlapping with Lark's target customer and consumer base.

The compelling partnership with SP is the result of a comprehensive internal review, with the objective of underpinning and growing our domestic leadership position as stated in our strategic priorities. This will see Lark move from domestic sales being managed by our internal sales team to a Distributor Partner sales model. The partnership provides the opportunity to drive improved performance through increased domestic sales volume and revenues, by accessing a significantly larger sales force with SP, who are the market leader in Ultra-Premium and above Single Malt Whisky (+\$100) in Australia. This is particularly prevalent within the wholesale / independents channel, where SP has a sales force more than five times larger than Lark's current team.

SP will represent Lark and Forty Spotted Gin in the domestic business to business channels from 1st August 2024, with Lark continuing to internally manage the domestic Hospitality, Ecommerce and Australian GTR channels.

Financial Impact from Change in Domestic Sales Model

The change in the domestic sales model will result in an improved financial position (EBITDA and Cash) in FY25 through cost savings including the review of seven internal sales roles, and any associated restructuring, in Lark's current structure. These costs savings will initially offset the Spirits Platform distribution margin, with the revised route to market allowing for stronger commercial delivery over time through access to a significantly expanded sales force as part of a market leading portfolio.

Subject to employee consultation process on impacted roles, there are anticipated to be one-off restructuring costs of c.\$0.2m during the June to July 2024 period.

Lark CEO Sash Sharma added:

"In line with our strategic priority to build on our domestic leadership position as Australia's No.1 Luxury Single Malt Whisky, the overriding objective for the change in our domestic sales model with the appointment of Spirits Platform as our Distributor Partner, is to drive improved brand performance and greater financial return in the Australian market. While our current domestic sales business is sub-scale, Spirits Platform are Australia's leading

Independent Spirits Distributor, with an impressive, diversified portfolio covering a wide range of spirits and liqueurs, including The Macallan, Highland Park and Bruichladdich, providing critical overlap with Lark's target customer base. As the market leader in Ultra-Premium and above Single Malt Whisky (+\$100) in Australia, they were our preferred choice of Distributor and are the ideal partner for Lark.

In addition to greater commercial coverage, I'm incredibly excited to see the benefits to Lark and Forty Spotted Gin of being part of a market leading portfolio and being supported by Spirits Platform's 'Spirits Academy' team of Brand Ambassadors to build trade and consumer advocacy in market. We are joining Spirits Platform at an exciting time as they further upweight their team, including investment into Tasmania enabling Lark to remain strong in our home state while further strengthening our presence nationally"

Spirits Platform CEO Ian Atherton added:

"We are delighted that Lark has chosen Spirits Platform as their domestic Distributor Partner. As our exclusive Australian offerings, Lark will become a core brand in the Spirits Platform portfolio along with Forty Spotted Gin. It has been our long-term vision at SP to represent an iconic Australian brand with significant growth potential that complements our existing portfolio of premium international brands.

As the leading independent spirits distributor in Australia, we are scaling up our business to achieve our 5-year vision of doubling revenue. We are expanding our head count by 17% to 81 this year to align with these growth plans, providing the opportunity to increase our coverage and service our customers more effectively and efficiently".

June 2024 Quarter Trading Update – Forecast Results in-line with expectations

For the June Quarter, net sales revenue is forecast to be approximately \$3.3 million, broadly in line with our expectations, and with the March quarter.

Pleasingly, the initial sell in for direct export sales to Distributor partners in H2FY24 to date under newly executed Distribution Agreements of \$0.9 million has offset more than half the anticipated H2FY24 shortfall in the legacy Chinese indirect export channel of \$1.7 million as outlined in our H1FY24 results release.

We have continued to see strong growth in Travel Retail, with sales in this channel forecast to exceed \$1 million in FY24, as well as strong Ecommerce performance in the fourth quarter. Continued softer trading conditions in the Domestic market have impacted B2B sales, while Hospitality venues have been impacted by lower footfall with Hobart's 'Dark Mofo' festival not taking place in Q4FY24.

Cash is forecast to be \$2.2 to \$2.6 million at 30 June 2024, with the final balance subject to timing of receipts leading up to year end. Lark has an undrawn committed \$15 million long term bank facility available (maturing in 2028), to fund any required working capital and funding requirements.

About Lark Distilling Co:

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed distillery in 154 years. LARK, Australia's No.1 Luxury Single Malt Whisky brand houses a range of spirits headlined by its Single Malt Signature Collection; Classic Cask 43% ABV, Chinotto Citrus Cask 44% ABV, and Tasmanian Peated 46% ABV, with coveted pinnacle expressions released through The Rare & Remarkable Collection. Symphony No.1 40.2% ABV is a unique blended-malt whisky, while the distillery also handcrafts a range of award winning Forty Spotted Gins, with native Tasmanian pepper berry, citrus and juniper, a refreshing take on gin, from the bottom of the world.

LARK is locally and internationally recognised for its quality, innovation, and people; awarded numerous prestigious accolades over the past three decades. Most recently at the World Whiskies Awards held in London in March 2024, LARK was crowned Australia's Best Single Malt for its Fresh IPA Cask, as well Australia's Best Blended Malt with Symphony No.1, for the third consecutive year.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", DARK LARK was crowned "Single Malt of the Year", Bill Lark was named "Personality of the Year", and Master Distiller Chris Thomson was named "Distiller of the Year". LARK also received the acclaimed Master Medal, in the 2023 World Whisky Masters for its innovative Chinotto II Cask Strength Single Malt, alongside a further seven gold medals across the portfolio.

LARK can be enjoyed at the iconic Hobart Cellar Door, at the neighbouring Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. The immersive LARK Distillery Tour set at the historic Pontville Distillery is the brand's ultimate adventure into distilling, available seven days. LARK Distilling Co, a fabric of our community, is crafted from grain to glass, using the purest natural elements from Tasmania. Welcome to the New World of Whisky.

About Spirits Platform:

Spirits Platform (SP) is Australia's leading Independent Spirits Distributor, established in 2015 by ex-Suntory Australia Management team. SP is majority owned (51%) by its management team, with minority shareholders Remy Cointreau International Pte LTD (37%) & Zamora International S.A. (12%).

Spirits Platform is dedicated to creating an environment for premium brands to succeed in Australia. Spirits Platform provide a trusted and proven route to market for exceptional spirits producers who wish to build brands for long-term success in the Australian market. The company's philosophy is simple – attract and responsibly build premium brands that have a reason for being.

Spirits Platform have built an extensive distribution network through all liquor channels in Australia. The experienced team of 28 salespeople and four Ambassadors have a comprehensive spirits knowledge and deliver integrated, multi-channel programmes to build brands including Cointreau, Jägermeister, Licor 43, Rémy Martin, Louis XIII, The Macallan, Mount Gay, The Botanist, Disaronno, Tia Maria, Sierra, Bruichladdich, Highland Park, Naked Malt, Montenegro, Select, Villa Masa, Martin Miller's Gin, St-Rémy, Metaxa, Opal Nera, Fiorente, Chartreuse, Mozart, Passoa, Westland, Yellow Rose, and The Busker.

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This announcement has been approved for release by the Board of Directors.