



Lark Distilling Co.

ASX Announcement

ASX: LRK

18 October 2021

Tasmania's Lark Distilling Co. to Acquire Pontville Distillery and Estate

Lark Distilling Co. Limited (ASX: LRK) ('Lark' or 'the Company'), Australia's leading distiller of single malt whisky, is pleased to announce that it has entered into a binding agreement for the acquisition of Kernke Family Shene Estate Pty Ltd, the owner of the Pontville Distillery and Estate ('the Acquisition'), the construction of a new 1 million litre distillery on the acquired land and the acceleration of Lark's export strategy.

The total consideration for the Acquisition is \$40 million comprised of \$38.5 million in cash and \$1.5 million in Lark shares¹ to be issued to the vendors. In order to fund the Acquisition, Lark is undertaking an equity raising of approximately \$53 million comprised of a fully underwritten unconditional placement of \$46.5 million ('Institutional Placement') and a non-underwritten conditional placement of \$6.4m ('Conditional Placement', together the 'Placement'). A total of 10.6 million new fully paid shares are expected to be issued, representing approximately 16.8% of issued capital.

Directors of the Company are highly supportive of the Acquisition and intend to subscribe for \$6.4m worth of shares via the Conditional Placement, subject to shareholder approval being obtained at Lark's annual general meeting.

The iconic estate and distillery are located 30 minutes north of Hobart at Pontville and includes 40 acres of land and buildings, a 130,000 litre distillery, a cellar door, eight bond stores, a working cooperage and the historic stables and homestead.

Pontville will be Lark's third working distillery in Tasmania, alongside its Cambridge and Bothwell sites and will contribute to the inhouse production of 576,000 litres of Lark whisky each year. Lark at Pontville will commence distilling from February 2022 with its cellar door open to the public from this date. All whisky distilling, product innovation and development will continue to be led by Lark's Master Distiller Chris Thomson and his team.

In addition, Lark has commenced planning for the construction of a new 1 million litre greenfield distillery on the Pontville site, expected to be commissioned in 2023.

Commenting on the Acquisition, **Geoff Bainbridge**, Managing Director Lark Distilling Co. says: *"The acquisition of the Pontville Distillery and Estate clearly supports our vision of becoming a global icon in single malt whisky. This builds on our vision to become the world's most innovative distiller and for the second consecutive year running, Lark has been nominated for the International Wine and Spirit Competition (IWSC) Worldwide Whiskey Producer of the Year, with the winner to be announced in Edinburgh, Scotland on October 21, 2021.*

"These assets provide significant whisky inventories on value accretive terms and re-balance the maturity profile of our overall whisky under maturation. Critically, the age profile and quality of the whisky under maturation being acquired will enable The House of Lark to commence an export programme from FY23 which is approximately 12 months ahead of previously

¹ With issue price of \$4.8962 (equal to the 15-day VWAP as at Friday, 15 October 2021). Subject to shareholder approval, in the event shareholder approval is not provided this will be satisfied through \$1.5 million in cash at completion.



Lark Distilling Co.

published plans. The construction of a greenfield distillery at Pontville with production capacity of 1 million litres p.a. is expected to commence in early 2022 and deliver Lark a world-class distillery in 2023”.

Adds **Bill Lark**, Founder and Global Ambassador Lark Distilling Co. “*Lark at Pontville points to the exciting future of Australian whisky. I could never have imagined 30 years ago from my kitchen bench, where that very first bottle of Lark was made, that in 2022 we’d be producing some of the world’s best whiskies across three exceptional distilleries right here in Tasmania and all from Australia’s first certified carbon-neutral distiller.*”

ACQUISITION OF PONTVILLE DISTILLERY AND ESTATE

The Acquisition is strategically compelling and delivers the following:

- **483,000 litres of whisky under maturation² for \$24 million**
 - Lark now expects to have 2+ million litres of whisky under maturation at 30 June 2022, valued at \$435m³
 - Expected to be approximately 19% accretive to Net Sales Value per share⁴, on a Q1 FY22 pro forma basis
 - Rebalances the profile of litres under maturation with 29% of the acquired liquid available for sale in FY22 and FY23
 - Provides early access to export market from FY23 (12 months ahead of previously published plans)

- **Considerable estate of 40 acres and buildings (inc. a distillery and eight bond stores)**
 - Current production capacity of acquired distillery is 193,000 litres p.a. increasing Lark’s total production capacity by ~50% to 576,000 litres p.a.
 - Eight onsite bond stores ensure fire risk is appropriately managed across four separate locations throughout Tasmania
 - Commenced planning for the construction of a greenfield distillery, capable of producing 1 million litres p.a. The construction cost of this facility is expected to be approximately \$13 million, with the distillery to be commissioned in 2023

- **Pontville Onsite Cooperage⁵**
 - Establishes Lark as the only distiller with onsite cooperage in Tasmania

The Acquisition is expected to complete in early February 2022.

For more information on the terms of the Acquisition, including the conditions precedent, see Lark's Investor Presentation released to the Australian Securities Exchange today.

EQUITY RAISING

Lark is undertaking an equity raising of approximately \$53 million comprised of a fully underwritten unconditional Institutional Placement of \$46.5m and a non-underwritten Conditional Placement of \$6.4m. Lark is expected to issue 10.6 million new fully paid shares, representing approximately 16.8% of issued capital.

² At 43% ABV, post angel share.

³ Based on a net sales value per litre of \$216.

⁴ Calculated as the net sales value of Lark’s whisky under maturation divided by the number of shares on issue.

⁵ The plant and equipment required to operate the onsite cooperage is included in the \$40 million purchase price and will be transferred to the Lark group 12 months after completion of the Acquisition.



Lark Distilling Co.

Directors of the Company are highly supportive of the Acquisition and intend to subscribe for \$6.4m worth of shares via the Conditional Placement, subject to shareholder approval being obtained at Lark's annual general meeting.

Both the Institutional Placement and Conditional Placement shares will be issued at a fixed price of \$5.00, representing a 1.2% discount to Lark's last closing price of \$5.06 on Friday 15 October 2021.

Lark will also undertake a Share Purchase Plan ('SPP') to raise up to \$5 million. The SPP will provide eligible retail shareholders (with registered addresses in Australia and New Zealand and as defined in the SPP Booklet to be sent to shareholders) with the opportunity to participate in the SPP at the lower of:

- The Placement price of \$5.00; and
- The VWAP of Lark ordinary shares traded during the five trading days up to, and including, the SPP closing date (expected to be 15 November 2021), rounded down to the nearest cent.

Eligible shareholders who are registered as Lark shareholders as at 7.00pm (AEDT) on 15 October 2021 will be invited to subscribe for up to a maximum of \$30,000 of additional shares per eligible shareholder, free of brokerage.

The SPP will open on 25 October 2021 and close on 15 November 2021. The SPP is subject to the terms set out in the SPP offer booklet, which is expected to be lodged with the ASX and sent to eligible retail shareholders following the opening of the SPP offer on 25 October 2021.



Lark Distilling Co.

TIMETABLE

Item	Date
Record date for SPP	7:00pm (Sydney time), Friday 15 October
Trading halt and announcement of the Placement	Monday, 18 October
Placement bookbuild	Monday, 18 October
Announcement of the outcome of the Institutional Placement	Tuesday, 19 October
Trading halt lifted – trading resumes on ASX	Tuesday, 19 October
Settlement of New Shares issued under the Institutional Placement	Thursday, 21 October
Allotment and normal trading of New Shares issued under the Institutional Placement	Friday, 22 October
SPP offer opens and SPP offer booklet is dispatched	Monday, 25 October
SPP offer closes	Monday, 15 November
SPP issue and allotment date	Monday, 22 November
Normal trading of New Shares issued under the SPP	Tuesday, 23 November
Dispatch of holding statement	Wednesday, 24 November
Lark AGM to approve the Conditional Placement	Monday, 29 November
Settlement of New Shares issued under the Conditional Placement	Wednesday, 1 December
Allotment and normal trading of New Shares issued under the Conditional Placement	Thursday, 2 December

Barrenjoey Capital Partners is acting as Sole Lead Manager and Bookrunner to the Placement.



Lark Distilling Co.

ABOUT LARK

Founded in 1992 by pioneer Bill Lark, next year Lark Distilling Co. will be celebrating its 30th anniversary. This iconic milestone will be honouring the Tasmanian barley, water and climate — and the Tasmanian distilling industry as a whole. Lark Distilling Co. houses a range of spirits headlined by its single malt whiskies, including the Classic Cask 43% and Cask Strength 58% and its unique blended-malt whisky, SYMPHONY No.1. The distillery also produces a range of [Forty Spotted Gins](#) and handcrafted Tasmanian spirits and liqueurs.

In April 2021, Lark Distillery was named Australia's first carbon-neutral distillery under the Australian Government's Climate Active Program, meaning the activities associated with running Tasmania's first distillery have no net negative impact on the climate. One of the most rigorous and widely recognised carbon-neutral programs in the world, [Climate Active](#) certification is only awarded to businesses and organisations that have credibly reached a state of achieving zero net emissions.

For the second consecutive year, Lark Distilling Co. has been nominated for the International Wine and Spirit Competition (IWSC) Worldwide Whiskey Producer of the Year award to be announced in Edinburgh, Scotland on October 21, 2021.

For more information contact

Analysts/Investors Melanie Leydin (Company Secretary)
+613 9692 7222
mleydin@leydinfreyer.com.au

Media Enquiries Jason Whalley (Head of Marketing Strategy & Portfolio)
+61 459 044 142
jason@larkdistilling.com

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