

## Distil PLC

### **Placing of, and Subscription for, 160,000,000 new Ordinary Shares at 2 pence per share with Placing Warrants at 2 pence per share; Investment in Ardgowan; Related Party Transactions; and Notice of General Meeting**

Distil plc (AIM:DIS), owner of premium drinks brands RedLeg Spiced Rum, Blackwoods Gin and Vodka, TRØVE Botanical Vodka, Blavod Black Vodka, Jago's Cream Liqueur and Diva Vodka, is pleased to announce it has conditionally raised £3.2 million (before expenses) through a Placing and Subscription (together, the "Fundraising").

The Fundraising will allow Distil to enter into investment arrangements with Ardgowan Distillery Company Limited ("Ardgowan") to part fund the development of a new whisky distillery by Ardgowan (the "Investment") and, through its subsidiary, Distil Company Limited, enter into a Manufacturing Agreement and a Mutual Services Agreement with Ardgowan to take advantage of the operational and strategic opportunities presented by the Investment.

The Company has conditionally placed 87,500,000 new ordinary shares of 0.1p each ("Ordinary Shares") in the capital of the Company (the "Placing Shares") at a price of 2p per Placing Share (the "Issue Price") to raise £1,750,000, before expenses (the "Placing").

The Company also announces a conditional subscription of 72,500,000 Ordinary Shares of the Company (the "Subscription Shares") at the Issue Price with existing shareholders to raise £1,450,000, before expenses (the "Subscription").

Pursuant to the Placing and the Subscription, for every three Placing Shares and every three Subscription Shares, investors will receive two warrants (the "Placing Warrants"), exercisable at the Issue Price for a period of twelve months from Admission. In connection with the Placing, the Company's broker, Turner Pope Investments (TPI) Limited ("Turner Pope"), will receive 2,625,000 warrants (the "Broker Warrants") exercisable at the Issue Price for a period of three years from Admission.

The Subscription and Investment and the entering into the Manufacturing Agreement and Mutual Services Agreement involve related party transactions under the AIM Rules. The Independent Directors, having consulted with SPARK Advisory Partners, the Company's nominated adviser, consider that the terms of the Investment are fair and reasonable insofar as Shareholders are concerned.

#### Transaction Highlights:

- Placing and Subscription to raise £3.2 million (before expenses) through the issue of 160,000,000 new Ordinary Shares at the Issue Price;
- Placing Warrants to be issued on the basis of two warrants for every three Placing Shares and Subscription Shares, exercisable at the Issue Price for a year from Admission;
- Roland Grain, a non-executive director of the Company, and BERO intend to subscribe for, in aggregate, 72,500,000 Ordinary Shares in the Subscription;
- 87,500,000 Placing Shares have been placed by Turner Pope with its High Net Worth private clients and certain institutional investors;
- The net proceeds of the fundraising will be used by Distil to invest £3 million (with the option to increase this to £5 million) in Ardgowan in the form of a convertible loan. This loan

forms part of a total initial investment package of £11.4 million, which will be used by Ardgowan to build the Ardgowan Distillery and visitor centre;

- Immediate and longer-term benefits for the Company through the Investment, including distilling, new product development and small batch bottling capability, a physical 'home' for the Company's Blackwoods and TRØVE brands and access to Ardgowan's Master Distiller, the renowned Max Macfarlane, to help produce an own brand malt whisky for the Company;
- The global malt whisky market is currently worth approximately US\$7.7bn out of a total whisky market worth approximately US\$74bn annually. The Directors believe there is significant scope for growth in the malt whisky market and see numerous benefits through adding malt whisky to the Company's product portfolio as well as through further collaborative agreements with Ardgowan;
- Ardgowan has full planning permission to build a new distillery and convert a range of existing buildings on part of the Ardgowan Estate, west of Glasgow near Inverkip in Scotland, to include a separate distillery for the Company, as well as a visitor centre and shop. The Estate, at the heart of which is Ardgowan House, is steeped in history and the distillery development is expected to increase its standing as an events and tourist attraction;
- The Placing Shares and Subscription Shares will represent approximately 24.1 per cent. of the Enlarged Share Capital following Admission;
- The Issue Price represents a discount of approximately 13.0 per cent. to the Closing Price of 2.3 pence per Ordinary Share on 19 July 2021, being the last practical date prior to the date of this announcement;
- General meeting to approve the resolutions (the "Resolutions") required to implement the Fundraising is to be held at Suite 113, 3 More London Riverside, London SE1 2RE at 10.00 a.m. on 5 August 2021. A detailed timetable of events is set out at the bottom of this announcement.

Don, Goulding, Executive Chairman of the Company, commented

"We are delighted to announce our agreement and partnership with Ardgowan which we see as a fantastic opportunity to add significant growth to the business in both the short and long term.

The Ardgowan team has a wealth of experience for us to draw upon in developing our own brand of malt whisky, positioning ourselves in a premium category which has been in long term growth globally. In addition, the deal provides us with the opportunity to build our own stand-alone gin distillery, not only allowing us to create a home for Blackwoods, but also giving us access to facilities that will allow us to accelerate NPD across our portfolio.

The Ardgowan team's vision for the distillery and plans for the future are exciting, and we look forward to collaborating with them on mutually beneficial projects as this new partnership develops and we push the Distil business into a new stage of growth and development."

Copies of a Circular convening a General Meeting for 10.00 a.m. on 5 August 2021 will be sent to shareholders later today, and is available on the website of the Company at <http://www.distil.uk.com/>

Extracts from the Circular are set out below:

For further information:

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*THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE UK VERSION OF THE MARKET ABUSE REGULATION NO 596/2014 WHICH IS PART OF ENGLISH LAW BY VIRTUE OF THE EUROPEAN (WITHDRAWAL) ACT 2018, AS AMENDED. ON PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN.*

Extracts from the Circular:

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**1. Background to and reasons for the General Meeting**

Your Board announced on 20 July 2021 that the Group had entered into investment arrangements with Ardgowan Distillery Company Limited. These arrangements involve Distil making a convertible loan of up to £3 million (with the option to increase this to up to £5 million) to Ardgowan, to part fund the development of a new whisky distillery by Ardgowan, and, through its subsidiary Distil Company Limited, entering into a Manufacturing Agreement and a Mutual Services Agreement with

Ardgowan to take advantage of the operational and strategic opportunities presented by the Investment.

In addition, and to fund the Investment, the Company proposes to raise £3.2 million before fees and expenses by a placing of, and subscription for, 160,000,000 new Ordinary Shares with existing and new investors at an Issue Price of 2 pence per New Ordinary Share. The Issue Price represents a discount of approximately 13.0 per cent. to the Closing Price of 2.3 pence per Ordinary Share on 19 July 2021, being the last practical date prior to the date of the Announcement. Placing Warrants over 107,166,665 shares will also be issued to, *inter alia*, participants in the Placing and the Subscription.

The Placing Shares and Subscription Shares will represent approximately 24.1 per cent. of the Company's Enlarged Share Capital. The Placing Shares have been placed, and the Subscription Shares have been subscribed for, conditional, *inter alia*, on the passing of the Resolutions being proposed at the General Meeting and upon Admission (which is expected to become effective with dealings in the Placing Shares and the Subscription Shares to commence on 6 August 2021). **Neither the Placing nor the Subscription have been underwritten.**

For the Placing and Subscription to proceed, the Company requires Shareholders' approval to authorise the Directors to allot the Placing Shares, the Subscription Shares and the Fee Shares, to issue the Placing Warrants and Broker Warrants and to disapply statutory pre-emption rights in relation to the issue of the Placing Shares, the Subscription Shares, the Fee Shares, the Placing Warrants and Broker Warrants.

I am therefore writing to provide you with details of the Proposals, and to give you notice of the General Meeting at which the resolutions to authorise the Directors to allot and issue the Placing Shares, the Subscription Shares, the Fee Shares, the Broker Warrants and the Placing Warrants, as well as Ordinary Shares (and/or rights to subscribe for them) up to the aggregate nominal value of £220,909 will be put to Shareholders. The General Meeting is to be held at 10.00 a.m. on 5 August 2021 and the formal notice of General Meeting is set out at the end of this document.

## **2. Details of the Ardgowan Distillery and the proposed Investment**

### ***Ardgowan Estate and the Ardgowan Distillery***

#### **Ardgowan history**

Ardgowan House stands on a high promontory overlooking the River Clyde about 30 miles west of Glasgow City. Ardgowan Castle, constructed in the late 15th century, is located on the grounds of the Ardgowan Estate. Prior to the construction of the castle in stone, an older wooden fort stood on the site. This fort was reputedly conceived as a coastal watch tower, built to ward off Viking marauders.

Robert the Bruce has a connection to Ardgowan having fought there twice, firstly on the side of the English in taking the castle, and then, prior to his victory at Bannockburn, on the side of the Scots to defend it. Robert III granted to his son Sir John Stewart the lands of Ardgowan, Inverkip in the Barony of Renfrew on 5 May 1404.

After the defeat of William Wallace's Scots army at the Battle of Falkirk in 1298, it took Edward I six years to gain full control of Scotland. The last stronghold of resistance to English rule was Stirling Castle. Impatient with the lack of progress in securing Stirling Castle, Edward ordered his chief engineer to begin work on a new, massive siege engine called the Warwolf. The engine was

constructed in the grounds of Ardgowan Estate with oak beams hewn from local trees. When completed, the siege engine was transported to Stirling, and the Scottish garrison surrendered.

In the 1890s Ardgowan was associated with whisky making, the original Ardgowan Distillery Company Limited was formed and a whisky distillery was built in Baker Street in Greenock. The distillery operated through the early 1900s and was converted to make industrial alcohol before World War II. The alcohol was then used as part of a fiery mix to fuel RAF fighter planes. The original distillery was almost destroyed in the Greenock Blitz of 7 May 1941, when it burned for two days, its blue flames providing a beacon for successive waves of Luftwaffe bombers. The production plant was rebuilt in a month, although the surrounding buildings were in ruins for the rest of the war. It finally ceased production in 1952.

Ardgowan Distillery Company Limited was founded to resurrect the Ardgowan connection to whisky and to create a new distillery. Although the distillery will be new it will borrow extensively from the history, provenance and heritage of Ardgowan Estate and Inverkip.

### ***Ardgowan Strategy***

While Ardgowan is waiting for the distillery to be constructed and for its own Ardgowan Single Malt whisky to come to market (Scotch whisky has to be rested in oak casks for a minimum of three years), it has been building a trading business that is based on purchasing quality malts from other distilleries and blending and bottling them under the Ardgowan “Clydebuilt” brand. These whiskies are sold through an online store in the UK and through selected international distribution partners.

Additional specialised products, including the Ardgowan “Discovery” series based on interesting “discovered” casks, will be released to attract different audiences. A quality blended whisky comprising grain and Single Malts is also in the development pipeline.

This strategy is to:

- Build a loyal base of customers who are enthusiastic and supportive of the brand.
- Create brand awareness with an online community who are supportive of the brand and who will eventually become customers of the Ardgowan Single Malt. Ardgowan has built a database of supportive followers of over 28,000 as of July 2021. Online sales from January 1 to June 30 stand at over £100,000 and the returning customers’ rate is over 25%.
- Create an international network of distribution companies who are familiar with the products, the quality, and the team and who will move seamlessly to presenting Ardgowan Single Malt to their customer base.

This strategy is also important from a cash flow perspective. It will bring increasing levels of cash to the business during the construction of the distillery and prior to the launch of the Ardgowan Single Malt.

### ***Quality***

Ardgowan Distillery Company Limited has acquired the services of Willie Phillips: the living whisky legend behind The Macallan Single Malt, and Max McFarlane: another legend responsible for the success of Highland Park Single Malt. Together they will seek to create unique products of excellent quality that transcend the traditional whisky categories. Their primary drivers are quality and excellent flavour.

### ***Water***

Water is the life blood of distilleries and the local spring that provides the Ardgowan Distillery with its pure water is part of a network of springs that have been used since the foundation of the estate over 600 years ago. The water from the spring is beautifully clean and sweet - it has been analysed by Scottish Water and the Ardgowan board believes it is perfect for producing a classic Lowland Single Malt whisky. Other water supplies are developed to provide backup and assurance that the distillery will not be without water even during the driest production years. Legend has it that Robert the Bruce camped near the spring and his weary horse drank deeply from its sweet waters.

### ***The Team***

Ardgowan has established a strong and experienced team with world-wide experience in the development, distilling and promotion of whisky.

Willie Phillips was appointed as Chairman of Ardgowan in 2017. Mr Phillips is an economics and history graduate of the University of Glasgow and is well known within the Scotch whisky industry. Following his appointment as an accountant at Macallan-Glenlivet plc in 1974, he was promoted to Financial Director in 1976 and Managing Director in 1978, occupying the last post until the purchase of the company by Highland Distillers in 1996. During this latter eighteen-year period his team's passionate adherence to quality established 'The Macallan' Single Malt Scotch whisky as a small international brand with a high reputation.

The opportunity to work with other industry experts on this exciting project convinced Willie to return to a mainstream role in the Scotch whisky industry. Willie's first whisky development at Ardgowan, the 20-year-old Expedition product, took the gold medal at the 2019 Scottish Whisky Awards.

Ardgowan has recruited, as Master Distiller, an award-winning whisky maker, Max McFarlane. Max has worked with iconic whisky names including Famous Grouse, Bunnahabhain, Glengoyne, Tamdhu, and Glenrothes. He was instrumental in the rise of Highland Park, and his name appeared prominently on their labelling before his recent retirement. His exceptional contribution to Scotch whisky was recognised in 2017 when he was inducted as a Keeper of the Quaich. Working with Ardgowan, Max has created Clydebuilt Coppersmith which won a silver medal in the 2020 Scottish Whisky Awards and a gold medal at the 2021 Spirits Business Whisky Masters.

Ardgowan has indicated its intention to focus on exploiting the growing global demand for Single Malt whisky, with production of limited quantities of a 5-year-old whisky to be first released in 2028.

### ***Founders***

The founders of Ardgowan Distillery Company Limited are Martin McAdam and Alan Baker. Martin holds a BE (Hons) in Chemical Engineering from University College Dublin and in 2003 completed the Advanced Management Program (AMP) at Harvard Business School. Martin is a Fellow of the RSA and a Fellow of the Institution of Engineers of Ireland.

In his early career Martin worked in the process control and power industries before switching to the computer industry where he became a founder of several successful software companies. In early 2000 he became an investor and employee in the start-up renewable energy company Airtricity, and in 2003 he relocated to the US and took on the role of General Manager for the North American market. Airtricity was subsequently sold to SSE for over £1bn in late 2007.

Martin became a founder shareholder in Kingsbarns distillery in Fife which was acquired by the Wemyss family in 2010. In 2016 and 2017 Martin and his team provided engineering support for the troubleshooting and commissioning of the Adelphi Distillery on the Ardnamurchan peninsula.

Martin was also CEO of wave energy company Aquamarine Power until 2014. Martin has served as a non-executive director of FTSE 250 company Greencoat UK Wind Plc.

Alan Baker graduated as a Civil Engineer from the University of Glasgow and is a Chartered Engineer. He has worked in the power sector for over 25 years. Spending nine years with Scottish Power, where he played a key role in the development and construction of major power infrastructure. These major infrastructure projects had a capital value in excess of £1bn.

Alan was CEO of wind energy company Airtricity (Scotland).

In 2010, Alan co-founded 2020 Renewables which was focused on the development, construction and operation of onshore wind projects in the UK and raised funding in excess of £800m to support the construction of projects in UK and France. Alan led the team that sold a large French wind portfolio (under the name Velocita Energy) and also a number of operational wind projects in the UK in 2016.

### ***Construction of distillery***

Planning permission has been received for construction of the Ardgowan Distillery, with an expected build time under the Ardgowan business plan of approximately 20-24 months. Construction is anticipated to commence once the required initial funding of £11.4 million has been secured.

Based on the current business plan, the total funding package including capital expenditure and working capital over the first 10 years of operations is approximately £20.5 million. On completion, the Ardgowan Distillery will be capable of producing almost 1 million litres of pure alcohol per year.

The Ardgowan Distillery will be built in a cluster of ancient farm buildings on the Bankfoot site which has been at various times, a farm steading, stables, a coal gasification plant, a sawmill and an equestrian arena. The distillery building will be newly built, created in a manner which is sympathetic to the existing cut stone and brick buildings.

The rich history of the estate, combined with the spectacular landscape and accessible transport infrastructure, provides an excellent platform on which to build the Ardgowan brand, and to build brand loyalty. The location of Ardgowan Estate, within 45 minutes of Glasgow by car, within 35 minutes from Glasgow airport, 15 minutes' walk from Inverkip Marina, close to the Inverkip railway station, which has a frequent service from Glasgow, and 15 minutes from the cruise ship terminal at Greenock, make it, in the Directors' opinion, a perfect location with easy access for creating a quality visitor experience. Consequently, Ardgowan also proposes to open a visitor centre, including a retail shop, at the Ardgowan Distillery and Ardgowan's business plan anticipates that its distillery will receive 10,000 visitors in Year 1, growing to 50,000 by Year 6.

The distillery also provides an entry point to the Clyde Muirshiel Regional Park which is Scotland's largest regional park. The Park incorporates the Loch Thom reservoir, named after the civil engineer Robert Thom who designed the scheme in 1827 to deliver water via a long aqueduct known as "The Cut" to power heavy industry (and provide fresh water to the original Ardgowan distillery) in Greenock. The Cut is popular with hikers and bikers with extensive on-road and off-road trails. The elevated park provides some of the best views in the southwest of Scotland.

### ***The Loan***

Distil's investment of up to £3 million (with the option to increase this to £5 million) forms part of a total initial investment package of £11.4 million, which will be used by Ardgowan to build the Ardgowan Distillery and visitor centre. This includes an equity investment of £7.2 million recently made by Roland Grain, one of Distil's directors, via Grain GmbH, a company with which he is associated, and a £1.2 million equity investment from existing Ardgowan shareholders.

The Loan has the following terms:

Initial Principal amount : £3,000,000, to be loaned immediately on Completion.

Secondary Principal amount: £2,000,000, the subject of the Loan Option, to be exercised by 31 December 2022, at Distil's option.

Interest rate : 5% per annum, paid quarterly in arrears.

Duration : 10 years.

Conversion Terms: At any time during the term of the Loan at a valuation of £30 million, which, assuming the loan outstanding is £5 million, equates to approximately 14.28% of Ardgowan's fully diluted issued share capital.

Security: With effect from Ardgowan issuing the first capital call and during the term of the Loan until the earlier of (i) repayment of the Loan in full, or (ii) conversion of the Loan into Ardgowan equity Ardgowan shall procure that a sum, such being the lower of (a) £250,000 and (b) an amount equal to the total interest payable on the Loan by Ardgowan during the then current 'year' (being each period of 12 months from the date of signature of the loan agreement) of the Loan term, is deposited and maintained in a GBP denominated bank account in the Company's name.

Ardgowan will pledge 10% of its annual production of malt whisky (or other product at the discretion of Distil) to Distil during the term of the Loan. In addition, Ardgowan has granted to Distil a floating charge over 10% of its annual production of malt whisky (or other product at the discretion of Distil) until the above pledge takes effect.

Change of control: Distil can require early repayment or conversion of the Loan if a change of control event occurs.

Under the Loan Agreement, Distil will be allowed to appoint an observer at all Ardgowan board meetings and, once it has a shareholding of over 10 per cent. (which would be the case once the Loan conversion into shares in Ardgowan has occurred) it will be allowed to appoint one Distil director to the Ardgowan board. It is expected that Distil's Executive Chairman, Don Goulding, will fulfil these roles.

### ***Ardgowan's financial results***

In its filed unaudited accounts for the year ended 30 June 2020 Ardgowan posted losses of £380,804 on turnover of £141,637. It had net liabilities at that date of £89,544.



## ***Rationale for entering into the Investment and other arrangements with Ardgowan, and Distil's strategy***

The Directors believe that the rationale for the Investment is manifold:

### ***Financial rationale***

The investment will provide a yield of 5% which, once the Loan is fully drawn down, will amount to an annualised income of £250,000 (an annualised £150,000 until that point). Furthermore, the Company will obtain security over 10% of Ardgowan's annual production of malt whisky (or other product at the discretion of Distil), and gives Distil the option at any time, following a period of consultation, to convert this investment into approximately a 14.28% stake in Ardgowan (assuming the loan outstanding is £5 million). The nature of the Investment will provide Distil with commercial and operational benefits for its existing business (see below) as well as this potential opportunity to acquire an equity stake in the business.

### ***Relocation of Blackwoods Gin and Vodka distillation***

At present, Distil's gin and vodka brand, Blackwoods, is distilled under sub-contract in the Highlands and in England. Relocating the entire distillation of the Blackwoods brand to a separate, prime site Blackwoods distillery within the greater Ardgowan site will provide a Scottish "home" for this Scottish brand.

In addition, the Blackwoods brand is expected to have a dedicated visitor experience through distillery tours and tastings, display and shelf feature in the distillery shop, branding of the Blackwoods distillery and additional labelling for tourist goods. This facility will be used for both consumer and trade customer visits.

The Directors expect that Blackwoods brand provenance and profile will be enhanced, leading to incremental sales both through existing channels and direct to consumer via the distillery itself.

Distillery visits are the third most popular tourist activity in Scotland attracting over 2 million visitors per annum, many of whom purchase product and souvenirs in the distillery retail outlets. Under its business plan, Ardgowan is seeking to attract 50,000 visitors annually by year 6. Besides providing high margin income via on site sales, these consumers will also provide the opportunity to link through social media to UK and international markets and continue a direct relationship for further direct on-line sales once visitors return home.

### ***Line extensions for existing products***

Blackwoods' line extensions in the form of special editions, new recipes, formulations and gin styles to be developed at the Distillery will further enhance revenue streams and profitability. Distil will also be able to produce its Trøve Botanical Spirit and other new liquids at the Distillery.

### ***New Product Development ("NPD")***

The development of new products is a key tenet of Distil's long-term strategy.

The Directors believe that the Ardgowan distillery will enable Distil to accelerate NPD through the broader use of the still in the Distillery in the production of spirits other than the existing 'London Dry Gin' and vodka. Product development areas to be explored will be flavoured gin and other non-aged spirits overseen and directed by Distil's Master Distiller.

Within the Manufacturing Agreement (see below) Ardgowan will assist, through their Whisky Distiller, the sourcing and crafting of blended malts purchased in cask from third party distilleries. These whiskies will be branded, owned and marketed by Distil and sold through the Company's own distribution network. Malt whisky is an attractive high value, high margin, high growth category. Opportunities for the joint development of future malt whisky products will be explored enabling Distil to further broaden its brand portfolio once Ardgowan whisky stock has sufficiently aged (minimum of three years). Distil expects to launch a range of Distil branded premium malt whiskies in 2021/22.

### ***Future collaborations***

In the medium term the partnership with Ardgowan is expected to yield further mutually beneficial operational opportunities. These may include, *inter alia*,

- (1) fulfilment of Distil's online sales, a core growth area earmarked for significant expansion by the Company.
- (2) small release bottling line for limited edition upscale line extensions.
- (3) under bond storage facilities.
- (4) expansion of Ardgowan's geographic distribution footprint through Distil's export network.
- (5) shared marketing reach.
- (6) procurement.

### ***Funding for implementing strategy***

The interest received on the Loan will be used, *inter alia*, to fund increased brand advertising to increase consumer awareness, and to develop an on-line direct to consumer online marketing and sales fulfilment capability.

### ***Manufacturing Agreement***

The Manufacturing Agreement provides the framework under which DCL will occupy part of the Ardgowan site and Ardgowan will manufacture spirits and non-alcoholic liquids and blend whisky on Distil's behalf.

The Manufacturing Agreement sets out the following key elements:

#### ***Building works***

Ardgowan has an option to take a 175 year lease of the land on which the Ardgowan Distillery is to be sited from the Ardgowan Estate and will grant Distil a sub-lease of one of the buildings at the Ardgowan Distillery. Failure to grant such a sub-lease to Distil on terms acceptable to Distil within six months of Admission is an event of default under the Loan Agreement.

Ardgowan will seek requisite consents (such as building regulation approvals, licences and authorisations) from relevant authorities in respect of building works to restore the Unit and will enter into a building contract for such restoration once such consents have been obtained.

Ardgowan will restore the Unit to the specification agreed in writing with Distil. As part of this restoration the Unit will be split into 3 sections: a distillery, a product development kitchen and a visitor experience area.

The rent and term in respect of the Unit are yet to be agreed.

#### *Distillery*

Ardgowan will at its own cost install in the Distillery all equipment required by Distil for the production of its products.

Ardgowan will manufacture selected Distil's brands including Blackwoods Gin, Blackwoods Vodka, Trøve Botanical Spirit and other agreed products at the Distillery on an agreed pricing structure.

Ardgowan and Distil will collaborate in developing a range of whiskies for Distil and for these purposes Ardgowan will assist Distil in sourcing wholesale whisky stock and will then blend it for DCL.

#### *Product development kitchen*

This kitchen will be dedicated to the development of new products and small batch bottling. It will be equipped and staffed by Distil at its own cost. When it has been constructed, Ardgowan may use the product development kitchen to develop products until its own product development facility has been constructed.

#### *Visitor experience area*

Distil will undertake fitting out works in respect of the visitor experience area at its own cost.

A Product Price list has been agreed on an arms' length commercial basis.

#### *Licence*

DCL has granted to Ardgowan a non-exclusive, non-transferable, royalty-free licence (including the right to grant sub-licences to permitted sub-contractors) to use DCL's IPRs solely for the purpose of performing its obligations under the Manufacturing Agreement. For example, such a licence would permit Ardgowan to sell Blackwoods Gin and Vodka in the Ardgowan visitor centre.

#### *Term*

The agreement continues in force unless or until the sub-lease of the Unit is terminated or this agreement is terminated earlier in accordance with its provisions.

### **Mutual Services Agreement**

The Mutual Services Agreement details various services to be provided from Distil to Ardgowan and *vice versa*.

The key components are as follows:

#### *Distribution of Ardgowan Products*

Distil will use its know-how, information and technical knowledge to assist Ardgowan with the distribution and sale of its alcoholic drink products (“Ardgowan Products”). This may include distributing Ardgowan Products on a non-exclusive basis once DCL has developed a website to sell products.

Distil and Ardgowan will agree arms’ length terms and conditions for the purchase, distribution and marketing of goods.

#### *Sale of Distil Products*

Ardgowan will facilitate the sale of Distil’s products (“Distil Products”) in the shop to be developed at the Ardgowan Distillery. The prices at which Ardgowan will sell the Distil Products have been agreed on an arms’ length basis.

#### *Procurement of goods*

Distil and Ardgowan may from time to time jointly procure goods to take advantage of any cost savings for bulk purchases.

#### *Term*

This agreement will continue unless or until terminated on six months’ notice by either party. In addition, either party may terminate this agreement on three months’ notice if the provision of Sale Services and Distribution Services (as defined in the Mutual Services Agreement) have been terminated in full.

**Any changes to terms of the Manufacturing Agreement or Mutual Services Agreement will fall to be assessed as related party transactions under AIM Rule 13, as will any transactions with Ardgowan not covered by any of these Agreements.**

### **3. Details of the Placing**

The Placing has raised approximately £1.75 million (before expenses) for the Company by the issue of 87,500,000 Ordinary Shares at the Issue Price with investors.

The Placing Shares are being placed conditional, *inter alia*, on the passing of the Resolutions at the General Meeting.

The Company, Turner Pope and SPARK have entered into the Placing Agreement, pursuant to which Turner Pope has agreed to use its reasonable endeavours to procure places pursuant to the Placing. The Company has agreed to pay all costs and expenses relating to the Placing and the applications for Admission including commission payable to Turner Pope.

The Placing Agreement contains certain warranties and indemnities by the Company in favour of SPARK and Turner Pope. It also contains provisions entitling SPARK and Turner Pope to terminate the Placing Agreement if, amongst other things, a breach of any of the warranties occurs or an event occurs which is material in the context of the Placing.

The Placing is conditional upon, *inter alia*:

- the Resolutions being duly passed at the General Meeting by 5 August 2021;
- Admission becoming effective on or before 8.00 a.m. on 6 August 2021, or such later time and/or date as the Company, Turner Pope and SPARK may agree, but in any event by no later than 8.00 a.m. on 31 August 2021;
- the Placing Agreement having become unconditional in all respects and not having been terminated; and
- completion of the Subscription.

The Placing is not being underwritten. The Placing Shares are expected to be allotted on 5 August 2021, with Admission expected on 6 August 2021.

The Placing will result in the issue of 87,500,000 new Ordinary Shares representing approximately 13.2 per cent. of the Enlarged Share Capital. The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares on Admission.

#### **4. Details of the Subscription**

The Subscription has raised approximately £1.45 million for the Company by the conditional issue of 72,500,000 Ordinary Shares at the Issue Price to (1) Grain GmbH) and (2) BERO as set out in section 8 below.

The Subscription is conditional upon, *inter alia*:

- the Resolutions being duly passed at the General Meeting by 5 August 2021;
- the Placing Agreement having become unconditional in all respects and not having been terminated; and
- Admission becoming effective on or before 8.00 a.m. on 6 August 2021 or such later time and/or date as the Company, Turner Pope and SPARK may agree, but in any event by no later than 8.00 a.m. on 31 August 2021.

The Subscription Shares are expected to be allotted on 5 August 2021.

#### **5. Warrants**

##### *Placing Warrants*

Places and subscribers in the Placing and Subscription have been issued with Placing Warrants (each Placing Warrant giving the right to subscribe for one Ordinary Share) on the basis of two Placing Warrants for every 3 new Ordinary Shares subscribed in the Placing or Subscription. The Placing Warrants will be exercisable at a price of 2p per Ordinary Share at any time up to one year following the date of admission of the Placing Shares and Subscription Shares to trading on AIM ("Admission"). Placing Warrants are also being issued together with the Fee Shares (see below). In aggregate, 107,166,665 Placing Warrants have been issued which, if exercised in full, would result in proceeds of £2.143 million.

## *Broker Warrants*

As part of its fee arrangements, Turner Pope has been issued with Broker Warrants over 2,625,000 Ordinary Shares (each Broker Warrant giving the right to subscribe for one Ordinary Share). The Broker Warrants will be exercisable at a price of 2p per Ordinary Share at any time up to three years following the date of Admission.

## **6. Settlement and dealings**

Application has been made to the London Stock Exchange for the Placing Shares, the Subscription Shares and the Fee Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares, the Subscription Shares and the Fee Shares will commence on 8.00 a.m. on 6 August 2021, subject, *inter alia*, to the passing of the Resolutions at the General Meeting.

## **7. Use of Proceeds**

The gross proceeds amount to £3.2 million. The expenses of the Proposals amount to approximately £200,000, of which approximately £185,000 will be settled in cash, and £15,000 will be satisfied by the issue of the Fee Shares (with Placing Warrants attached) on the same terms as the Placing and Subscription. The net proceeds of £3.0 million will be used primarily to finance the Investment.

## **8. Related Party Transactions**

Roland Grain is a non-executive Director of the Company and is currently interested (via Grain GmbH) in 102,309,584 Existing Ordinary Shares (representing 20.38% of the Company's current issued share capital). In addition, he is also the majority shareholder in Ardgowan following his recent investment in that company, and he sits on Ardgowan's board of directors.

Under AIM Rule 13 of the AIM Rules for Companies, there are a number of related party transactions:

- i) the Company entering into the Loan Agreement and the related security arrangements;
- ii) the Company entering into the Manufacturing Agreement and the Mutual Services Agreement; and
- iii) the participation by related parties, Grain GmbH and BERO, in the Subscription.

Mr Grain is not considered independent in relation to the consideration of these related party transactions under AIM Rule 13. Therefore, Don Goulding, Shaun Claydon, Kate O'Connell and Mike Keiller, being the Independent Directors, have considered these matters in line with the AIM Rules for Companies.

### ***i) Loan Agreement and related security arrangements with Ardgowan***

The Independent Directors have considered the terms of the Investment via the Loan Agreement and the related security arrangements. Having consulted with SPARK Advisory Partners, the Company's nominated adviser, the Independent Directors consider that the terms of the Investment are fair and reasonable insofar as Shareholders are concerned.

### ***ii) Manufacturing and Mutual Services Agreements***

The Independent Directors have considered the terms of the Manufacturing Agreement and the Mutual Services Agreement. Having consulted with SPARK Advisory Partners, the Company's nominated adviser, the Independent Directors consider that the terms of the Manufacturing and Mutual Services Agreements are fair and reasonable insofar as Shareholders are concerned.

**iii) Grain GmbH's participation in the Subscription**

<b>Name</b>	<b>Holding of Existing Ordinary Shares</b>	<b>Amount subscribed in the Subscription</b>	<b>Number of Subscription Shares</b>	<b>Number of Ordinary Shares held post Admission<sup>†</sup></b>	<b>% of Ordinary Share capital held post Admission</b>
Grain GmbH*	102,309,584	£650,000 <sup>†</sup>	32,500,000*	134,809,584	20.34%

\*Grain GmbH is a company to which Mr Roland Grain is connected.

<sup>†</sup> in addition Grain GmbH will hold 21,666,666 Placing Warrants post Admission.

The Independent Directors have considered the participation of Grain GmbH in the Subscription. Having consulted with SPARK Advisory Partners, the Company's nominated adviser, the Independent Directors consider that the terms of Grain GmbH's participation in the Subscription are fair and reasonable insofar as Shareholders are concerned.

**iv) BERO's participation in the Subscription**

BERO is currently interested (via Bank of New York (Nominees) Limited) in 66,289,231 Existing Ordinary Shares (representing 13.21% of the Company's issued share capital). As a substantial shareholder in the Company, BERO is a related party under the AIM Rules.

<b>Name</b>	<b>Holding of Existing Ordinary Shares</b>	<b>Amount subscribed in the Subscription</b>	<b>Number of Subscription Shares</b>	<b>Number of Ordinary Shares held post Admission<sup>†</sup></b>	<b>% of Ordinary Share capital held post Admission</b>
BERO*	66, 289, 231*	£800,000	40,000,000*	106,289,231	16.04%

\*held via Bank of New York (Nominees) Limited. The terms of the Subscription are essentially the same as the terms of the Placing.

<sup>†</sup> in addition they will hold 26,666,666 Placing Warrants post Admission

**9. General Meeting**

The Directors do not currently have existing authorities to allot shares and dis-apply pre-emption rights under section 551 and section 570 of the Act to enable the Company to allot and issue the Placing Shares, the Subscription Shares and the Fee Shares and to grant the Placing Warrants and Broker Warrants. Consequently, the Company needs to first obtain approval from its Shareholders to

grant to the Board additional authority to allot the new Ordinary Shares and grant the Placing Warrants and Broker Warrants and to dis-apply statutory pre-emption rights which would otherwise apply to such allotment or grant. The Company is also seeking Shareholder authority to increase the Directors' general authority to allot securities and dis-apply pre-emption rights pursuant to sections 551 and 570 of the Act, respectively.

A summary and brief explanation of the resolutions to be proposed at the General Meeting is set out below. Please note that this is not the full text of the Resolutions and you should read this section in conjunction with the Resolutions contained in the Notice at the end of this document. The following resolutions will be proposed at the General Meeting:-

**Resolution 1**, which will be proposed as an ordinary resolution, is to authorise the Directors to allot or issue the Placing Shares, the Subscription Shares, the Fee Shares, the Placing Warrants, the Broker Warrants and further new Ordinary Shares up to an aggregate nominal value of £220,909; and

**Resolution 2**, which will be proposed as a special resolution, and which is subject to the passing of Resolution 1, dis-applies statutory pre-emption rights, provided that such authority shall be limited to the Placing Shares, the Subscription Shares, the Fee Shares, the Placing Warrants, the Broker Warrants and further Ordinary Shares having an aggregate nominal value of £66,274.

In response to the COVID-19 pandemic, the UK Government has introduced a number of measures in England aimed at controlling the spread of the COVID-19 virus. The Board has been closely monitoring the ongoing COVID-19 situation and, on the basis of the UK government's roadmap out of lockdown, the General Meeting has been arranged on the assumption that it will be able to be held as an open, physical meeting. If the position changes, the Company will communicate any updates on its website at [www.distil.uk.com](http://www.distil.uk.com) and, where appropriate, through an announcement to the market, before the General Meeting.

#### **10. Action to be taken by Shareholders**

A form of proxy for use at the General Meeting is enclosed. Whether or not you intend to attend the General Meeting in person, you are requested to complete and sign the form of proxy and return it to the Company's Registrars at The Courtyard, 17 West Street, Farnham, GU9 7DR, so as to arrive no later than 10.00 a.m. on 3 August 2021. The return of the form of proxy will not prevent you from attending the General Meeting and voting in person should you wish to do so.

#### **11. Board Recommendations**

**In relation to Resolutions 1 and 2, as Mr Grain has participated in the Subscription, he is not considered independent and as such has not participated in the recommendation.**

**The Independent Directors consider that the Investment (via the Loan Agreement and related security arrangements), the Manufacturing Agreement, the Mutual Services Agreement, the Placing and the Subscription and Resolutions 1 and 2 are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Independent Directors recommend that you vote in favour of these resolutions as they intend to do in respect to their shareholdings of 10 million shares amounting to 1.99% of the issued share capital.**

**Unless Shareholders approve both resolutions 1 and 2, the Investment will not proceed, as the Company requires the Placing and Subscription (which are conditional upon both Resolutions**



being approved) in order to provide the funds for the Company to allow it to make the Investment.

Yours sincerely

Don Goulding  
Chairman

#### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b>2021</b>
Announcement of the Placing and Subscription	20 July
Posting of the Circular and the form of proxy	20 July
Latest time and date for receipt of forms of proxy for the General Meeting	10.00 a.m. on 3 August
General Meeting	10.00 a.m. on 5 August
Announcement of the result of the General Meeting	5 August
<b>Admission of the Placing Shares, Subscription Shares and Fee Shares to trading on AIM</b>	<b>8.00 a.m. on 6 August</b>
Expected date of despatch of definitive share certificates for the Placing Shares, Subscription Shares and Fee Shares in certificated form (certificated holders only)	by 20 August

Notes:

- 1 References to times in this document are to London time unless otherwise stated.
- 2 If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RNS (and posted on the Company's website).
- 3 All events in the above timetable following the General Meeting are conditional upon approval by the Shareholders of the Resolutions.

## PLACING STATISTICS

Existing Ordinary Shares in issue as at the date of this Document	501,982,913
Number of Subscription Shares	72,500,000
Number of Placing Shares	87,500,000
Number of Fee Shares	750,000
Enlarged Share Capital	662,732,913
Percentage of the Enlarged Share Capital represented by the Placing Shares and the Subscription Shares	24.1%
Issue Price	2p
Gross proceeds of the Placing and the Subscription	£3.2 million
Estimated net proceeds of the Placing and the Subscription	£3.0 million

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise.

<b>“Act”</b>	Companies Act 2006
<b>“Admission”</b>	the admission of the Placing Shares, the Subscription Shares and the Fee Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	the market of that name operated by London Stock Exchange plc
<b>“AIM Rules”</b>	the AIM Rules for Companies whose securities are traded on AIM, as published by the London Stock Exchange from time to time
<b>“Announcement”</b>	the notification issued by the Company on 20 July 2021, which sets out details of the Proposals
<b>“Ardgowan”</b>	Ardgowan Distillery Company Limited
<b>“Ardgowan Distillery”</b>	the new whisky distillery to be developed by Ardgowan on the Ardgowan estate near Inverkip in Scotland
<b>“Ardgowan Loan” or “Loan”</b>	the loan of £3 million (which can be increased to £5 million pursuant to the Loan Option) to Ardgowan to be made by the Company, the subject of the Loan Agreement
<b>“Articles”</b>	the Company’s articles of association
<b>“BERO”</b>	BERO SAS, a substantial shareholder in the Company
<b>“Board” or “Directors”</b>	the directors of the Company at the date of this Document, whose names are set out on page 8 of this Document

<b>“Broker Warrants”</b>	the warrants to be issued to Turner Pope, the terms of which are set out in section 5 of the Letter from the Chairman in this document
<b>“Circular” or “Document”</b>	this document dated 20 July 2021
<b>“Closing Price”</b>	2.3 pence, being the closing mid-market share price on 19 July 2021
<b>“DCL”</b>	Distil Company Limited, a subsidiary of Distil
<b>“Distil” or “Company”</b>	Distil PLC, a company registered in England and Wales with registered number 3727483
<b>“Distillery”</b>	the distillery to be developed by Ardgowan for DCL in the Unit
<b>“Enlarged Share Capital”</b>	together the Existing Ordinary Shares, the Placing Shares and the Subscription Shares
<b>“Existing Ordinary Shares”</b>	the 501,982,913 Ordinary Shares in issue as at the date hereof
<b>“Existing Shareholders”</b>	holders of Ordinary Shares at the date of this document
<b>“Fee Shares”</b>	750,000 new Ordinary Shares to be issued to an adviser at the Issue Price in settlement of amounts owed by the Company
<b>“FCA”</b>	the Financial Conduct Authority
<b>“form of proxy”</b>	the form of proxy accompanying this Document (or otherwise available) for use at the General Meeting
<b>“General Meeting” or “GM”</b>	the General Meeting of Shareholders to be held at 10.00 a.m. on 5 August 2021
<b>“Group”</b>	the Company and its subsidiaries as at the date of this Document
<b>“Independent Directors”</b>	Don Goulding, Shaun Claydon, Kate O’Connell and Mike Keiller
<b>“Investment”</b>	the Company’s proposed investment in Ardgowan by way of the Loan and the related security arrangements
<b>“Issue Price”</b>	2p per Placing Share, Subscription Share and Fee Share
<b>“Loan Agreement”</b>	the agreement dated 20 July 2021 between (1) the Company and (2) Ardgowan for the provision of a loan of up to £5 million, comprising an initial loan of £3 million (with the option for the Company to increase this by £2 million pursuant to the Loan Option) with conversion rights attached, as more fully detailed in section 2 of the letter from the Chairman in this Document
<b>“Loan Option”</b>	the option under the Loan Agreement for Distil to loan a further sum of £2 million to Ardgowan, at any point up to 31 December 2022
<b>“London Stock Exchange”</b>	London Stock Exchange plc

<b>“Manufacturing Agreement”</b>	the agreement dated 20 July 2021 between (1) DCL and (2) Ardgowan relating to (i) the manufacture of the Company’s products, including Blackwoods Gin, and (ii) the operation and use of the distillery as set out in more detail in section 2 of the Letter from the Chairman in this document
<b>“Mutual Services Agreement”</b>	the agreement dated 20 July 2021 between (1) DCL and (2) Ardgowan relating to the manner in which the parties will collaborate and provide services to each other, including the development of Distil own brand of blended malt whisky, as set out in more detail in section 2 of the Letter from the Chairman in this document
<b>“Ordinary Shares”</b>	ordinary shares of 0.1p each in the capital of the Company
<b>“Placing”</b>	the conditional placing of the Placing Shares at the Issue Price, further details of which are set out in section 3 of the Letter from the Chairman
<b>“Placing Agreement”</b>	the conditional agreement dated 20 July 2021 between (1) the Company, (2) Turner Pope and (3) SPARK relating to the Placing
<b>“Placing Shares”</b>	the 87,500,000 new Ordinary Shares the subject of the Placing
<b>“Placing Warrants”</b>	the warrants to be issued with the Placing Shares, Subscription Shares and Fee Shares, the terms of which are set out in section 5 of the Letter from the Chairman in this document
<b>“Proposals”</b>	the Investment, the Manufacturing Agreement, the Mutual Services Agreement, the Placing and the Subscription
<b>“Resolutions”</b>	the resolutions set out in the notice of General Meeting
<b>“SPARK”</b>	SPARK Advisory Partners Limited, the Company’s Nominated Adviser
<b>“Shareholders”</b>	holders of Ordinary Shares in the Company from time to time
<b>“Sterling” or “£”</b>	the lawful currency of the UK
<b>“Subscription Agreements”</b>	the conditional agreements dated 20 July 2021 between the Company and (1) Grain GmbH (a company with which Mr Roland Grain, a non-executive director, is connected), and (2) BERO relating to the Subscription
<b>“Subscription”</b>	the subscription for the Subscription Shares by (1) Grain GmbH and (2) BERO under the Subscription Agreements
<b>“Subscription Shares”</b>	the 72,500,000 new Ordinary Shares the subject of the Subscription
<b>“Turner Pope”</b>	Turner Pope Investments (TPI) Limited, the Company’s brokers
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“Unit”</b>	one of the buildings, forming part of the Ardgowan Distillery site,

	to be sub-leased by Ardgowan to DCL
"US" or "United States"	the United States of America, its territories and possessions, any states of the United States of America and the District of Columbia and all other areas subject to its jurisdiction.

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