BLACKS DISTILLERY - KINSALE – CO. CORK - IRELAND

THE WHISKEY FOUNDERS CLUB

8 Year Cask Club

1. Introduction and Definitions

The Company

Kinsale, the gourmet capital of Ireland and the gateway to the Wild Atlantic Way is home of Blacks Brewery and Distillery since 2013. We currently produce award winning beers, Several Gins and Irelands first and only Rum. Blacks was also the first co-located brewery and distillery set up in Ireland. In 2020 we began producing Irish Whiskey, over the course of 20/21 we have filled over 500 casks, a small portion of these casks are being made available to the public.

Blacks Distillery is a trading name of Kinsale Craft Brewery LTD Est in May 2013.

The Directors of the Company are:

Sam Black
Maudeline Black

Definitions

- **"Subscription Price"**

Price per cask of:

8 Year Full Cask Ex Bourbon	€ 6500	200 litres
8 Year Full Cask Virgin	€ 6800	200 litres
8 Year Full Cask RUM	€ 6800	200 litres
8 Year Full Cask MESCAL	€ 6800	200 litres
8 Year Full Cask Ex Sherry	€ 7500	250 litres

Irish Whiskey Production Process

Mashing and Fermentation

The grist of ground malted or malted and unmalted grain is added to hot water to form the mash. The hot water activates enzymes in the malt which converts the starch in the grains to sugar. After a few hours this watery, sugary soup called wort is cooled and drained into a vessel know as a wash back. Yeast is added converts the sugars in the wort content to alcohol. After several days the sugar has been converted this leaves a beer like substance of about 8% alcohol by volume (ABV) called the Wash.

Distillation into a New make Spirit

This wash is then transferred to a copper still called a wash still, distilled and then transferred over to a second still called a spirit still. Only the heart or centre portion of each distillation run goes forward to the second distillation stage. The beginning and end of each distillation run known as the heads and tails are put aside and are recirculated back into the still from where they came. This assists in maintaining consistency of character and flavour from each pot still used. Generally the early part of the heads run is discarded as it will contain some unwanted and unpleasant compounds.

Maturation into Irish Whiskey

The new make spirit is then diluted down with water to a cask strength for aging. (Normally about 65%) The spirit is then filled into oak casks and held for maturation for a minimum of 3 years and often much longer. This clear spirit will slowly mature into Irish Whiskey. The type of wood in the barrels and their previous use if any, contribute in a major way to the character, colour, nose and flavour of the Whiskey.

Bottling for Sale as Irish Whiskey

After aging for at least 3 but often up to 20 years, the matured Irish Whiskey is again diluted with pure Irish water down to a drinking strength of about 40%ABV before being bottled for distribution and sale. Sometimes a special Whiskey is left at a "Cask Strength" of 50% to 60% to present a less diluted and more flavoursome but stronger drink for aficionados. These cask strength Irish Whiskeys are generally not recommended for Irish Whiskey beginners who will probably find them over powering, expensive and difficult to drink because of their higher alcohol content.

The Irish Whiskey Market

Irish Whiskey sales are expected to hit 14 million cases by 2020. This represents a large increase in demand for Irish Whiskey which is likely to push up the price of Irish Whiskey casks. For Ireland to become a "Stable market" by way of supply keeping up with predicted demand. Experts say that we must have 900 Million LPA (Litre of Pure Alcohol) stored away. With all distilleries opened or planned to open and producing at full capacity, Ireland will struggle to produce even 120 million LPA. And currently, we are producing nowhere near this 120 million. The future looks very bright, with experts predicting Irish Whiskey to become the most valuable of all Whiskeys. The first bottle of a 3-year-old Dublin Whiskey sold for $10,000 at auction in September 2018. The potential is massive when we compare Ireland to Scotland — with over 130 Scottish distilleries in operation says Irish Whiskey Association Chief Executive Miriam Mooney. Export sales for Irish Whiskey will double by 2020 and double again by 2030, the organization predicts.

2. Key Features

The Blacks Distillery Whiskey Founders Club is an exclusive opportunity to secure ownership of limited edition Whiskey casks produced by the new Blacks Whiskey Distillery. These limited edition casks provide, a seldom seen opportunity to acquire an exceptionally rare Whiskey, with numbered casks, limited edition labelling and certificates of authentication. The Blacks Whiskey Founders Club maximises the potential for significant capital appreciation in future as their Whiskey matures. The presentation, personalization and provenance of the Blacks Whiskey Founders will be a boastful addition to any Whiskey aficionado's collection.

The Proposal

The Blacks Whiskey Distillery is offering Whiskey Founders Club members access to ownership of a limited and unique edition of Whiskey casks, containing the first Whiskey of its kind to ever be released by the Blacks Whiskey Distillery in Ireland. The Whiskey Founders Club Programme will offer a maximum of 80 casks of reserve grade single malt Whiskey or Single Pot Still Whiskey for aging with initial release in 2029.

The casks referenced in the prospectus are from 2021 production and offered on an eight year bases with maturation as 8 year old Whiskey in 2029.

Once purchased, the cask owner holds a cask certificate that can be redeemed against the specific cask upon maturation. Their name will be branded on the head of the cask in 2023 when the cask is rotated in Bond. There are several exit options on maturation.

The cask will be stored for a minimum of eight years in a bonded warehouse [or more if the member wishes), and insured for full replacement cost against any contingency or risk.

Members may choose to keep the cask for future use (storing it in the bonded warehouse or elsewhere) or bottle it on site at Blacks Distillery Kinsale (at cask strength or reduced strength) and do as they please with their own

personalised, limited edition Whiskey (for example, keep it and realise appreciation over years to come, resell it or simply consume and enjoy).

Casks will be offered to members at a discounted prices ranging from €6,500 per cask. This price includes the relevant cask, the Whiskey and its ingredients, the labour of the Distiller, plus storage and insurance for the eight-year period. On maturation, the Distillery will redeem the cask against the cask certificate for a predetermined agreed value.

The aims of this scheme is to offer a unique opportunity to a limited number of members while raising capital which will enable the Distillery to build a larger inventory for future years and to further expand the brand.

Additional Benefits

Whiskey Founders Club members can re-visit the distillery bar at any stage over the next eight years to take a tour of the facility and enjoy some samples of beers and spirits. Moreover we plan to hold an annual Whiskey Founders Club party in Kinsale every year at the distillery with individual members invited to keep in contact as a networking process.

KEY MILESTONES

Blacks Brewery opens in Kinsale	May 2013
Blacks Distillery begins Gin production	May 2015
Blacks Distillery begins Rum production	Nov 2015
Installation of Frilli Twin Whiskey Stills on Site	Jan 2020
Blacks Distillery begins Whiskey production	April 2020
Whiskey Founders Club Cask filling begins	May 2020
8 Year casks options filling	Jan-Dec 21
Cask Contents Become Irish Whiskey	3 years from Fill
Potential Exit (8 year maturity)	8 years from Fill

3. Subscriptions and Redemptions

<u>Entry</u>

- The subscription price or minimum cask price is €6,500 per cask, (other cask prices vary by type).

- There is no maximum, but casks are strictly limited to 80 only on a first come first served basis.

- The minimum term for is eight years.

- Applications should be made in writing by completing the application form at the end of this document and forwarding it by post, email or fax to the address set out in the Application Form.

- Once the application form is complete and submitted and payment is received you will be issued with a cask certificate for a certain numbered cask.

- All casks offered here are already filled and held in a bonded warehouse for maturation.

Exit mechanism via options:

- If you choose to exit via the buy back option you will simply redeem your bond and we will return your investment amount plus the interest sum as agreed.

- If you choose to bottle then we will work together on a label design and package the Whiskey to your specification. You will redeem you cask certificate for the Whiskey upon packaging. The additional costs of packaging and delivery will be required to be paid before delivery. For members in Ireland, Irish Duty and VAT maybe required to be paid depending on the type of member. For members outside of Ireland local taxes may apply.

- If you choose to remove as a full cask then you will redeem you certificate against the full cask. In this case we need to ensure that the Whiskey is moving onto a suitable bonded warehouse in Ireland or via export to ensure that we comply with Irish Customs and Excise requirements.

- If you choose to continue to mature the cask then you will pay per year storage fee of €100 per year.

Exit and cask certificate Redemption

Members in the Whiskey Founders Club Programme will have four options for exit:

1: Exit via the Buy-Back Scheme

In 8 years time Blacks Distillery will have a requirement for Whiskey stocks for bottling. We wish to buy back your cask and offer a price that represents a CAGR of 4% per year or a total gross return of 36.85% for the eight-year period:

Cask Type	First Fill Discount Price	Your 2029 Buy Back Offer	Increase €
Ex Bourbon/EX Rum/Virgin	€ 6500	€ 8895	€ 2395
Other 200L types (MESCAL, Smoked Hickory)	€ 6800	€ 9305	€ 2505
Ex Sherry	€ 7500	€ 10263	€ 2763

In this case upon maturation you will simply redeem your cask certificate and we will return your initial purchase amount plus the sum as agreed above.

In this case since you are redeeming the cask certificate back to us no customs and excise licence or permission would be required.

Please seek independent tax advice on any capital gains taxation resulting from the buy back of the cask.

2. Bottle Your Cask

Members may choose to have the contents of their personalised Whiskey casks bottled. These unique and special edition bottles of Whiskey could be then kept for the future, resold via retail channels, exported or consumed. If you choose this exit then your cask certificate will be redeemed with Blacks and a bottling date will be agreed. We will also give several hours of design time with our graphic designer to produce the perfect personalised label design.

Table 1 below shows the potential costs and results in choosing this option. Please note this is a sample calculation, using Bourbon Whiskey casks; Whiskey casks are hand made and can vary slightly in size.

The original contents of the Whiskey in the cask are 63.5% abv. from the distilling process, giving a 100% equivalent of 127 litres per cask. Estimated evaporation of the Whiskey while in-situ (called the "angels share") is approximately 2.5% each year for 8 years, reducing the contents to 163 litres by the end of year eight @ approx. 56.5% abv.

Members can choose to bottle the Whiskey at "cask strength" (56.5% abv as recommended by the Distiller), or add pure water to reduce its strength for bottling to 40% abv.

This premium limited edition Whiskey in its own distinctive Whiskey Founders Club bottle, with unique labels (including the individual bottle number and members name] is just €45.8 cask strength or just under €33.3 at regular retail strength, 40% abv. (factoring in the initial cask certificate cost)

If members choose to sell the Whiskey in Ireland however, duties and taxes need to be added. If members choose to export the bottles, no duty will be paid in Ireland but local duty may apply at their destination. Members selling Whiskey bottles should hold the required license or permission to do so in the market they wish to sell. All Whiskey sold in Ireland will be liable for Irish excise duty and VAT. These charges are also outlined in Table 1.

Table 1. Sample Costs and Prices to Bottle-0n- Site

(Discounted) Cost per Cask (Bourbon)	€ 6,500
Price for members per Litre	€ 32.50
Original Contents (litres) at 63.5% abv	200 litres
Evaporation(litres) at 2.5% per annum est	40 litres
Year 8 bulk (litres) @ 56.5	160 litres

1. **Cask Strength(56.5% abv)**

No. Of litres @ 56.5% abv	160 litres
No. of 700 ml bottles at cask strength	288
Bottling and labelling (€ 2.50 per bottle)	€ 720
Costs per Cask Including Bottling	€7220
Cost per 700 ml labelled bottle @ 56.5 ABV	**€ 25**

2. **Suggested regular bottling strength**

No. Of litres @ 40% abv .	226 litres
No. of 700 ml bottles at 40% abv	322
Bottling and labelling (€2.50 per bottle)	€ 805
Total costs of cask plus bottling	€ 7,305
Cost per labelled bottle	**€ 22.6**

For Irish Members

The current rate of excise duty is €42.57 per litre at 100% abv which equates to €16:83 per 700ml bottle at 56.5% abv and €11.91 per 700ml at 40% abv. VAT is due at the standard rate of 23% per bottle in Ireland.

Everywhere else – the local duty and taxes would apply on arrival at your destination.

Taxes and VAT – (40% abv)

Duty per bottle	€ 11.91
Cost per bottle ex VAT	€ 22.6
VAT @23%	€ 7.93
Cost price per bottle including VAT	**€ 42.44**

Where the cask is bottled in this way you can choose to also have the empty cask shipped out at cost. This could make a great garden table or talking point for pubs and restaurants.

Customs and excise has asked us to advise you that if you intend to sell individual bottles of Whiskey in Ireland then the appropriate license would be required at the time of sale.

3. Full Cask Exit

The second option for exit is for members to take their complete and intact cask at the end of year eight, and keep it for future bottling, reselling, resale or export. When mature, at 8 years, you may choose to take ownership of the cask, removing it from the bonded warehouse and reselling it at a potentially appreciated value. This would be a good option where members see that the open market selling value of the Whiskey is in excess of the value offered as part of the By Back scheme. In this case you would redeem your cask certificate against title for the full cask of Whiskey and then would be able to do as you wish with the cask. Potential customers could be other distillery's, independent bonders and Whiskey brands who need stock, or even private collections.

Customs and excise has asked us to advise you that if you intend to sell the full cask, transfer the cask to another bonded facility in Ireland or abroad then the appropriate license or permissions would be required at the time of sale/transfer. In practice we would be happy to facilitate the sale / transfer directly from the bond to its next destination and could organise the most effective way to do this with you at the time of maturation.

3. Continue to mature the spirit for €100 per annum

Members may choose to keep the cask at the bonded warehouse for a longer period to allow it to mature further before bottling, with some additional charges for storage and insurance.(These are currently estimated at €100 per year per cask or 1.1% of the cask's market value in year eight, (Sample based on Bourbon Casks.)

This can be taken on a year by year basis for a maximum of 10 additional years. This option is good for members who wish to look at the market as a whole and sell at the time of maximum potential for return. Once you are ready to sell we will redeem your cask certificate and option 1 or 2 above would apply. If you are bottling outside of the 8 year maturation window specified in the scheme the price of bottling would need to be reviewed with a potential for a slight rise in bottling costs.

Maximise the potential.

The great thing about the Whiskey Founders Club is that you can make your cask choice now and you don’t have to choose your exit method until the Whiskey is mature. The Irish Whiskey market is in a state of massive growth with Irish Whiskey prices rising at unprecedented rates every year. In 8 years you will have several options and can make a decision then to maximise the potential return to you. The big advantage of Whiskey is that as it get older it always get more valuable, so if you don’t think its reached its full potential value after 8 years, you can simply wait.

The Irish Whiskey Market

Irish Whiskey sales are expected to hit 14 million cases by 2020. This represents a large increase in demand for Irish Whiskey which is likely to push up the price of Irish Whiskey casks. For Ireland to become a “Stable market” by way of supply keeping up with predicted demand, experts say that we must have 900 Million LPA (Litre of Pure Alcohol) stored away. With all distilleries opened or planned to open and producing at full capacity, Ireland will struggle to produce even 120 million LPA. And currently, we are producing nowhere near this 120 million.

The future looks very bright, with experts predicting Irish Whiskey to become the most valuable of all Whiskeys. The first bottle of a 3-year-old Dublin Whiskey sold for $10,000 at auction in September 2018. The potential is massive when we compare Ireland to Scotland — with over 130 Scottish distilleries in operation says Irish Whiskey Association Chief Executive Miriam Mooney. Export sales for Irish Whiskey will double by 2020 and double again by 2030, the organization predicts.

Risks of Blacks Whiskey Founders Club Scheme

While the price appreciation of Whiskey in future cannot be known or guaranteed, the Buy Back Scheme substantially limits risk for members and provides a solid exit if required.

The remaining risks associated with the Whiskey Founders Club Programme include:

Limited Trading History

Although the Kinsale Craft Brewery have been operating successfully since 2013, Blacks Distillery is a new venture launched in May 2015. It has been producing a super premium gin (Blacks Irish Gin) and Rum (Blacks Spiced Irish Rum) and several Whiskey’s which is currently available in over 200 outlets. Potential members should consider the Company's prospects in light of the risks associated with companies in their early inception and launch stages.

The information provides you with a general description of the nature and risks associated with the Whiskey Cask Founders Club, but it cannot explain all of the

risks nor how such risks relate to your personal circumstances. You should not become a member unless you understand the nature and the extent of your exposure to risk. The Whiskey Cask Founders club is not suitable for many. If you are in doubt you should seek professional advice.

It is important that you fully understand the risks involved before deciding to become a member. If you choose to become a member, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks.

Past performance is not an indication of future performance. The value of whiskey may fall as well as rise. When investing in whiskey there is a risk that you may lose some or all of your original investment. You should consider whether investing in whiskey is suitable for you in light of your individual circumstance and taking account of your objectives, experience and financial position.

There is a risk that the Customer's whiskey may be or become subject to tax and/or any other duty for example, due to changes in legislation or Customer's personal circumstances. We do not offer tax advice.

The Customer is responsible for any taxes and/or any other duty which may accrue in respect of their whiskey.

We provides no guarantees of profit nor of avoiding losses. Customer has received no such guarantees from us or from any of its representatives. Customer is aware of the risks inherent and is financially able to bear such risks and withstand any losses incurred.

Insurance

Insurance cover will be provided to cover direct physical loss or physical damage of the Whiskey in storage. Details on application.

Terms and Conditions for Blacks Irish Whiskey Founders Club (Full cask eight year option)

These Terms and Conditions (and the Contract) (including any non-contractual matters and obligations arising therefrom or associated therewith) shall be governed by, and construed in accordance with, the laws of the Republic of Ireland. If you are unsure as to the meaning of any of these conditions and would like more clarification please get in touch at founder@blacksbrewery.ie. Nothing in the contract will grant you and rights in or license to the Blacks brand or any of the company's intellectual property rights. Terms and Conditions govern the sale of goods by us and will form the basis of the Contract between Blacks of Kinsale Distillery and you (the Purchaser). Please ensure that you have read these Terms and Conditions carefully. If you are unsure about any part of these Terms and Conditions, please contact us for clarification. Nothing provided by us including, but not limited to, sales and marketing literature, price lists and other documents constitutes a contractual offer capable of acceptance. Your Order constitutes a contractual offer that we may, at our discretion, accept. A legally binding contract between us and you will be created upon our acceptance of your Order, indicated by our Order Confirmation. Order Confirmations will be provided in writing.

1. On receipt of a completed and signed application form together with payment for the ordered Founders Club cask, an Order Confirmation will be provided, your cask allocated and this agreement between Blacks of Kinsale and the named purchaser will be deemed binding.
2. A receipt, countersigned copy of the application form will be issued to the purchaser on completion of the order transaction and sent out in your welcome pack.
3. Cask certificate(s) will be issued to the you and sent out in your welcome pack.
4. Title to the Cask certificate will lie with the purchaser. The Distillery must be notified in writing of any subsequent transfer or trading of title by the purchaser.
5. It is the responsibility of the cask owner to advise Blacks in writing of any changes in address or contact details.
6. A Payment Plan may be offered on application: however, title of the cask(s) certificate will not transfer until final payment has been received.
7. All correspondence to be sent in writing to Blacks of Kinsale, Farm Lane, Kinsale, Co. Cork Ireland Or by email to founder@blacksbrewery.com
8. The Purchaser warrants and represents to Blacks that the purchaser has complied, are complying and will comply with current Revenue regulations applicable to a contract of this nature. including that (a) the Purchase is a private customer who is purchasing the product for private non-commercial use, or (b) the Purchaser is a Revenue recognized licensed spirits trader and a licensed bonded warehouse user in the Republic of Ireland , or (c) The Purchaser is an overseas trader of spirits and has appointed or will appoint a Republic of Ireland board representative in compliance with all revenue requirements.
9. Blacks entire liability under or in connection with this contract shall be an amount equivalent to the initial price paid.
10. Blacks shall not be liable for any delay in performing its obligations under this contract where the delay is caused by circumstances beyond its control.
11. All Casks are insured against fire, theft and spoilage. No guarantees are given by Blacks to the compensation paid out by insurance companies if a total loss occurs. In the event of a complete or partial loss of your cask, Blacks will endeavour to offer you a replacement of the nearest available cask in terms of type, product and distillation date.
12. The Purchaser acknowledges that by entering into this contract he/she has not relied on any statement, representation, warranty, undertaking or other assurance given or made by any person (whether a party to the contact or not) other than as expressly set out or referred to in the contract. The Purchaser waives all rights and remedies whatsoever arising which, but for this clause, might otherwise be available to it in respect of any such undertaking, warranty, representation or any other assurance.
13. The information provides you with a general description of the nature and risks associated with the Whiskey Cask Founders Club, but it cannot explain all of the risks nor how such risks relate to your personal circumstances. You should not become a member unless you understand the nature and the extent of your exposure to risk. The Whiskey Cask Founders club is not suitable for many. If you are in doubt you should seek professional advice.
14. It is important that you fully understand the risks involved before deciding to become a member. If you choose to become a member, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks.
15. Past performance is not an indication of future performance. The value of whiskey may fall as well as rise. When purchasing whiskey casks there is a risk that you may lose some or all of your original fee. You should consider whether purchasing whiskey is suitable for you in light of your individual circumstance and taking account of your objectives, experience and financial position.
16. There is a risk that the Customer's whiskey may be or become subject to tax and/or any other duty for example, due to changes in legislation or Customer's personal circumstances. We do not offer tax advice.
17. The Customer is responsible for any taxes and/or any other duty which may accrue in respect of their whiskey.
18. We provides no guarantees of profit nor of avoiding losses. Customer has received no such guarantees from us or from any of its representatives. Customer is aware of the risks inherent and is financially able to bear such risks and withstand any losses incurred.
19. The Purchaser is solely responsible for any shipping costs, VAT, excise duty and any other taxes caused by the removal of their cask from the bonded facilities. These costs must be paid before removal of the cask.
20. Each cask ordered will be filled with reserve grade single malt Spirit or Single Pot Still Irish Spirit, 63.5% ABV at the time of filling. The casks will be warehoused under bond at a government approved bonded warehouse the Distiller and the purchaser having agreed the terms herein.
21. Small amounts of evaporation takes place through the wood of the cask as whiskey matures - this is known as the 'angels share'. At the same time, the strength (ABV) decreases slightly also. Blacks have assumed a 2% loss (decreasing) year on year and this is reflected in the volumes and prices quoted for whiskey being bottled after 8 years quoted in the prospectus. The purchaser acknowledges and agrees to this and no claim shall be made against Blacks Distillery for any loss of value in the Whiskey or decrease in quantity due to the effect of the Angel's Share.
22. Prices include warehousing for 8 years from the date of filling of the purchased cask(s)but excludes VAT and Excise Duty.
23. The Whiskey Founders Club Casks are insured against fire, theft and spoilage.
24. The minimum term for members is 8 years. Founders Club Casks with remain under bond for a minimum of 8 years.
25. Maturation For the Founders Club programme will be defined as 8 calendar years from the date of filling of the purchased cask(s).
26. The purchaser may choose to have their cask(s) bottled 8 (Eight) years 'from the filling date of the cask(s). Bottling prices are as outlined in the prospectus.
27. After year 8, continuance of warehousing will be provided by arrangement. For each additional year's warehousing after 8 years, the purchaser will be charged a warehousing fee, to be agreed in advance by both parties not exceeding €100 per year.
28. The purchaser is obliged to give 1 months advance notice to the distillery before removing their cask(s) from bond. Normal bonded warehouse procedures apply.
29. The distillery must be given 6 (six) months notice in writing if the purchaser intends to avail of any buy back offer.
30. All labelling options to be agreed 10 weeks in advance of bottling.