



31 October 2012

Company Announcements Office  
Australian Stock Exchange  
Exchange Centre  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

### **Appendix 4C & Progress Update – 1st Qtr FY13**

In lodging the Appendix 4C - quarterly (attached), **Gage Roads Brewing Co Ltd (ASX: GRB)** is pleased to report to the market on the ongoing progress of the Company.

#### **Sales Results**

Sales across the portfolio have improved steadily by 93% over the prior year comparative period ("PYCP").

Contract brewing sales supporting Woolworths' private label strategy have increased by 128% over the PYCP. The Company has worked with Woolworths to build up stock levels in anticipation of higher demand during the summer months but also to compensate for expected shutdown periods associated with the commissioning of the new capital equipment as discussed below.

Gage Roads' proprietary brands have enjoyed an uplift of 17%, mainly attributable to growing demand for our Atomic Pale Ale and Sleeping Giant India Pale Ale but also assisted by the introduction of our 640mL bottle format series and new products as further discussed below.

Other contract brewing sales grew by 155% over the PYCP. This is primarily due to the growing popularity of our contract customers' products and the addition of new contract brewing customers. This is in line with the Company's strategy to become Australia's premium craft contract brewer.

#### **New Products**

During the first quarter of FY13, the Company has launched a number of new products. Gage Roads has worked together with Woolworths to release Woolworths' own Sail & Anchor craft beer range in 345mL bottle format, being *Monkey's Fist Pale Ale*, *Cat's Shank Kölsch*, *Boa's Bind Amber Ale* and *Lark's Foot Golden Ale*. These products will also be available in draught in selected venues of the ALH chain of pubs and hotels.

Gage Roads is also developing a range of new limited release products designed to take full advantage of retail selling opportunities throughout the year. On shelves at the

moment is the first instalment of this strategy, the 640mL *Pumpkin Ale* single batch limited release catering for the Halloween season.

The second instalment called *The Convict* is due to be released in time for Australia Day. It is a craft-brewed Australian Strong Ale and will be available in 640mL bottles and on tap in selected pubs around Australia. It is the Gage Roads take on the original Australian pale ale.

Gage Roads also welcomes two new contract customers during the quarter.

Gage Roads has teamed up with Sydney-based craft brewer Two Birds and will brew Two Birds' award winning "Golden Ale" to service WA customers with fresh, locally brewed beer.

Vinaceous Wines have also chosen Gage Roads' contract services to launch their new product Vinaceous Forbidden Fruit Pear Cider in 500mL bottle format. Initial customer demand for this product has exceeded expectations and further production orders have been placed.

### **Supply Agreement with Woolworths**

On the back of the success of the existing partnership, the Company has renewed its supply agreement with Woolworths for an additional 3 years through to June 2015. This agreement forms the pathway to the Company's goal of increasing production capacity to 3 million cartons by FY15. Included in the terms of the agreement is an obligation of Woolworths to purchase a minimum of 1 million cartons per annum from Gage Roads.

### **Extension of Loan Facility**

During the quarter the \$9.7 million loan facility with ANZ and the corresponding guarantee from Woolworths Limited was extended by 15 months and now matures on 1 October 2014. This facility is secured by a guarantee from Woolworths Limited as well as Company assets. As announced on 29 June 2011, the facility was extended and increased by \$5.5 million to partly facilitate the 4-year capital expansion program with the balance of funds required to be met from operating surpluses.

### **Capital Expansion Program**

In FY11 the Company embarked on a 4 year \$12.4 million capital expansion program designed to lift annual production capacity from 1.2 million cartons in FY12 to 3 million in FY15. An additional goal of the expansion project is the reduction of the Company's operating costs by 50% per carton.

The project is currently 70% complete having incurred expenditure of \$8.6 million to date. This amount has been funded via drawing \$5.5 million from the debt facility with ANZ and the balance of \$3.1 million was funded via operating cash flow surpluses. The remaining \$3.8 million is on track to be expended during FY13 and FY14 and is also to be funded via ongoing operating surpluses.

The Company is pleased to announce that the installation of the new 100hL automated CombiCube B brew house is nearing completion and final commissioning and test brewing is currently being carried out. The initial test brewing has gone well and the first batch of beers from the new brew house will be on the shelf in time for Christmas,

meaning Gage Roads customers can expect to be drinking the freshest beer available all summer long.

A team of specialist engineers from Krones in Germany were onsite to supervise the 3 month installation process. The improved brew house has a 100 hectolitre per brew capacity, and is capable of performing 10 brews per day.

The capital expansion team is now focussing its attention on the installation of new filtration, yeast management and cellar equipment which is scheduled for completion early in 2013.

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John Hoedemaker  
Managing Director  
Gage Roads Brewing Co Ltd  
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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Name of entity

GAGE ROADS BREWING CO LIMITED

ABN

22 103 014 320

Quarter ended ("current quarter")

30<sup>th</sup> September 2012

### Consolidated statement of cash flows

| <b>Cash flows related to operating activities</b>         | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from customers                               | 7,736                      | 7,736                                 |
| 1.2 Payments for  |                            |                                       |
| (a) staff costs   | (1,003)                    | (1,003)                               |
| (b) advertising and marketing                             | (11)                       | (11)                                  |
| (c) research and development                              | --                         | --                                    |
| (d) leased assets   | (7)                        | (7)                                   |
| (e) other working capital                                 | (5,997)                    | (5,997)                               |
| 1.3 Dividends received                                    | --                         | --                                    |
| 1.4 Interest and other items of a similar nature received | 1                          | 1                                     |
| 1.5 Interest and other costs of finance paid              | (157)                      | (157)                                 |
| 1.6 Income taxes paid                                     | --                         | --                                    |
| 1.7 Other   | --                         | --                                    |
| <b>Net operating cash flows</b>                           | <b>562</b>                 | <b>562</b>                            |

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

|  | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward)       | 562                        | 562                                   |
| <b>Cash flows related to investing activities</b>    |                            |                                       |
| 1.9 Payment for acquisition of:                      |                            |                                       |
| (a) businesses (item 5)                              | --                         | --                                    |
| (b) equity investments                               | --                         | --                                    |
| (c) intellectual property                            | --                         | --                                    |
| (d) physical non-current assets                      | (1,507)                    | (1,507)                               |
| (e) other non-current assets                         | --                         | --                                    |
| 1.10 Proceeds from disposal of:                      |                            |                                       |
| (a) businesses (item 5)                              | --                         | --                                    |
| (b) equity investments                               | --                         | --                                    |
| (c) intellectual property                            | --                         | --                                    |
| (d) physical non-current assets                      | --                         | --                                    |
| (e) other non-current assets                         | --                         | --                                    |
| 1.11 Loans to other entities                         | --                         | --                                    |
| 1.12 Loans repaid by other entities                  | --                         | --                                    |
| 1.13 Other (provide details if material)             | --                         | --                                    |
| <b>Net investing cash flows</b>                      | (1,507)                    | (1,507)                               |
| <b>1.14 Total operating and investing cash flows</b> | (945)                      | (945)                                 |
| <b>Cash flows related to financing activities</b>    |                            |                                       |
| 1.15 Proceeds from issues of shares, options, etc.   | --                         | --                                    |
| 1.16 Proceeds from sale of forfeited shares          | --                         | --                                    |
| 1.17 Proceeds from borrowings                        | 66                         | 66                                    |
| 1.18 Repayment of borrowings                         | (28)                       | (28)                                  |
| 1.19 Dividends paid                                  | --                         | --                                    |
| 1.20 Other (provide details if material)             | --                         | --                                    |
| <b>Net financing cash flows</b>                      | 38                         | 38                                    |
| <b>Net increase (decrease) in cash held</b>          | (907)                      | (907)                                 |
| 1.21 Cash at beginning of quarter/year to date       | 1,580                      | 1,580                                 |
| 1.22 Exchange rate adjustments to item 1.20          | --                         | --                                    |
| 1.23 <b>Cash at end of quarter</b>                   | 673                        | 673                                   |

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

|      |  | Current quarter<br>\$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | (167)                      |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11   | --                         |

1.26 Explanation necessary for an understanding of the transactions:

Payments include directors' fees for non executive directors and salaries for executive directors

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest:

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

|     |                             | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities             | 9,767                       | 9,679                  |
| 3.2 | Credit standby arrangements | --                          | --                     |

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**Appendix 4C**  
**Quarterly report for entities**  
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**Reconciliation of cash**

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank  | 673                        | 1,580                       |
| 4.2 Deposits at call  | --                         | --                          |
| 4.3 Bank overdraft  | --                         | --                          |
| 4.4 Other (provide details)   | --                         | --                          |
| <b>Total: cash at end of quarter</b> (item 1.23)  | 673                        | 1,580                       |

**Acquisitions and disposals of business entities**

|   | Acquisitions<br><i>(Item 1.9(a))</i> | Disposals<br><i>(Item 1.10(a))</i> |
|---|--------------------------------------|------------------------------------|
| 5.1 Name of entity                            | NIL                                  | NIL                                |
| 5.2 Place of incorporation or registration    |                                      |                                    |
| 5.3 Consideration for acquisition or disposal |                                      |                                    |
| 5.4 Total net assets                          |                                      |                                    |
| 5.5 Nature of business                        |                                      |                                    |

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 October 2012.  
 (Company secretary)

Print name: John Hoedemaker

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+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below:
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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