



22 October 2013

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

#### **Appendix 4C & Progress Update – 1st Qtr FY14**

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 by 6% over the prior year comparative period ("PYCP"). Correspondingly, revenue has increased by 15% over the same period. During the PYCP a stock build up was required to meet summer demand while the capital expansion program was executed resulting in unseasonably strong sales. This is no longer required in FY14 as the expanded capacity of the plant can now cope with peak demand periods.

One key area of growth for the business was draught sales up 225% over the PYCP. This was mainly driven by the demand created from our new customers and growth in Woolworths brand products on tap.

#### **New Contract Customer**

As announced recently, the Company has signed an agreement during the quarter with major cider producer Westons in the UK. The contract relates to the packaging of their Weston Premium Cider product. The cider is traditionally produced in the UK by Westons and packaged by Gage Roads in bottle and draught for the Australian market. The first production run will be completed this week.

#### **Capital Expansion**

To satisfy current and future demand for kegged products, the Company has purchased a new rotary kegging machine. The German built-machine from KHS is state-of-the-art and is rated at 90 kegs per hour. The cost of the project is estimated at \$682k and will be completed by February 2014. This new kegging machine also delivers on the Company's cost reduction strategies, marrying higher draught production capabilities with lower costs of production.

The Company has further identified potential areas for capital expenditure that may be undertaken in order to meet the Company's goal of reducing its operating expenditure by 50% on a per-carton basis and peak summer production volumes by the end of FY15. Business cases are currently being prepared for these projects to be considered on their own merits.

**Cash Flow Update**

During the quarter the Company applied available free cash towards improving our current account balance, resulting in the repayment of creditors and a net negative operating cashflow for the quarter. The focus of the Company over the near future is to continue to improve its working capital balance sheet position. During the quarter, the Company has also invested in improving the depth of its operational management. New employees were recruited to fill the roles of head brewer, packaging manager, technical manager and head engineer. As the volume and number of products increase, the need for stronger human resources became apparent and closures and restructurings of local breweries have provided supply and experience to the labour market that was previously unavailable.

Investing cashflows have been reduced to \$552k in current quarter. These cash outflows relate primarily to previously negotiated trailing payment plans for installed equipment. The previously announced \$2.1m bullet payment to a key capital supplier has been deferred due to minor outstanding deliverables and will be repaid in 6 monthly instalments through to March 2014.

The cash at bank balance at the end of the quarter is strong and the Company expects to be able to fund any potential capital expenditure program out of operation cash flows.

**Outlook for Q2 FY14**

Q2 FY14 marks the one of the peak production periods for the year. The Company is expected to be producing at close to capacity during those months. Managing Director John Hoedemaker said: "The upcoming summer demand will provide an exciting challenge for the business as we have not yet produced at this run rate. The successful implementation of the new capital equipment has positioned the Company well and we look forward to meeting this challenge."

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Marcel Brandenburg  
Company Secretary  
Gage Roads Brewing Co Ltd  
Tel: (08) 9314 0000

# 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 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	9,860	9,860
1.2 Payments for		
(a) staff costs	(1,213)	(1,213)
(b) advertising and marketing	(112)	(112)
(c) research and development	--	--
(d) leased assets	(7)	(7)
(e) other working capital	(8,662)	(8,662)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	25	25
1.5 Interest and other costs of finance paid	(87)	(87)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	<b>(196)</b>	<b>(196)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
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	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(196)	(196)
<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	(552)	(552)
(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>	(552)	(552)
<b>1.14 Total operating and investing cash flows</b>	(748)	(748)
<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	69	69
1.18 Repayment of borrowings	(38)	(38)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	31	31
<b>Net increase (decrease) in cash held</b>	(717)	(177)
1.21 Cash at beginning of quarter/year to date	5,173	5,173
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	4,456	4,456

+ 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 \$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 \$A'000	Amount used \$A'000
3.1	Loan facilities	5,779	5,692
3.2	Credit standby arrangements	1,000	--

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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 \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	4,456	5,173
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)	4,456	5,173

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: M. Brandenburg Date: 22 October 2013.  
 (Company secretary)

Print name: Marcel Brandenburg

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## 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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