



31 January 2014

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

#### **Appendix 4C & Progress Update – 2nd Quarter 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.

#### **H1 FY14 Highlights**

- Revenue up 44% to \$16m (unaudited)
- Total production volume up 41% to 960k carton equivalents\*
- Keg production volume up 129% to 8,600 50L kegs

\* *One carton equivalent = 7.92L = 24 x 330mL bottles = 0.16 X 50L kegs.*

#### **Sales Results**

Total carton and keg sales have improved by 41% over H1 FY13 (prior year comparative period "PYCP"). Corresponding revenue has increased by 44% over the same period. The Company's draught strategy continued to strongly contribute to the growth in total production volume.

November saw the Company achieve its highest monthly record of production, peaking at just under 250k carton equivalents. This result was closely followed by December's production of 200k carton equivalents. Although December's result represents the second highest month of production for the Company, it was 40k cartons lower than internal expectations due to a number of machinery breakdowns and delays in the supply of raw materials. December's shortfall highlights the continuous improvement requirements of our business addressed in further detail below.

#### **Cash Flow and Balance Sheet**

The Company has achieved a cash flow positive quarter from operations of \$643k while continuing to address the net current asset position.

Payments for non-current physical assets amounted to \$1.76m and were a combination of payments for the existing brew house, the new keggings machine as discussed below and other plant improvements.

Proceeds of \$550k from the issue of shares was raised through the repayment of loans relating to employee loan funded shares which had been sold on-market during the period as previously disclosed.

The Company is currently seeking to extend its existing loan facility of \$5.7m with the ANZ which is due to expire in October 2014. This is expected to be finalised prior to the release of the half-year report.

#### **Continuous Improvement**

Operating at full capacity and December's lost production has highlighted some limitations in our existing packaging line and logistics operations. Our engineers are evaluating the possibility of re-building, upgrading or replacing some of the key packaging line components in order to meet the Company's goal of

achieving production of 3m cases per annum by FY15 and reducing its operating cost per carton by 50%. The operations team is investigating potential warehousing solutions with a view to improve operational and logistical efficiencies for next summer's peak demand period.

In support of the draught strategy, the new KHS kegging machine has arrived and is currently being commissioned. Expected to be fully operational in a few weeks, the machine is designed to produce up to 90 kegs per hour and accommodates long-term growth in draught production capacity and provides on-going operational and labour cost savings.

**Outlook for H2 FY14**

With the remainder of summer looking strong we expect the full year growth rate to be similar to that achieved in the first half.

The Company's Managing Director, John Hoedemaker, said: "To deliver these levels of production leading up to the Christmas period is a remarkable achievement and is a testament to dedication of our people at Gage Roads. We look forward to the next few months with a busy production schedule and continue to focus on delivering earnings growth for the Company."

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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")

31<sup>st</sup> December 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	13,670	23,520
1.2 Payments for		
(a) staff costs	(1,280)	(2,519)
(b) advertising and marketing	(118)	(230)
(c) research and development	--	--
(d) leased assets	(7)	(13)
(e) other working capital	(11,565)	(20,088)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	30	55
1.5 Interest and other costs of finance paid	(87)	(174)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	<b>643</b>	<b>551</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	643	551
<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	(1,763)	(2,419)
(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>	(1,763)	(2,419)
<b>1.14 Total operating and investing cash flows</b>	(1,120)	(1,868)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	550	550
1.16 Proceeds from sale of forfeited shares	--	--
1.17 Proceeds from borrowings	23	92
1.18 Repayment of borrowings	(45)	(83)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	528	559
<b>Net increase (decrease) in cash held</b>	(592)	(1,309)
1.21 Cash at beginning of quarter/year to date	4,456	5,173
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	3,864	3,864

+ 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	169
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	5,757	5,670
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	3,864	4,456
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)	3,864	4,456

**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: 31 January 2014.  
 (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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