



**GAGE ROADS BREWING CO LTD**  
**ABN 22 103 014 320**  
**14 Absolon St, Palmyra**  
**Western Australia 6157**

24 October 2014

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

### **Appendix 4C & Progress Update – 1st Qtr FY15**

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.

#### **Q1 FY15 Highlights**

- Total sales volume up 16% on prior year comparative period to 416k carton equivalents\*
- Sales to Woolworths and other contract brewing customers up 22% and 30% respectively
- New Gage Roads proprietary products launched and brand refresh complete
- Warehousing strategy executed

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

#### **Sales Results**

Sales across the portfolio have improved by 16% over the prior year comparative period (“PYCP”). The Company’s production of Woolworth’s exclusive brand increased by 22% over PYCP. Sales were particularly strong in our other contract brewing segment, recording an uplift of 30% over PYCP.

Draught sales for the quarter were below expectations as a result of significant price competition in the low-value mainstream draught beer market. This has impacted our historically largest selling draught product competing in that segment. The Company is adjusting its draught sales strategy to concentrate on growing draught craft beer sales, supporting our and our contract customer’s craft brands and driving off-premise carton sales.

Sale of Gage Roads’ proprietary brands declined 13% over the same period last year. The decline is partially due to depletion of existing products on shelves in anticipation of the release of the refreshed Gage Roads products (as further discussed below). The refresh is expected to reverse this trend and provide a significant contribution to the Company’s growth expectations.

#### **Marketing Update**

The Company has just released its new line of products, *Narrow Neck Session Ale*, *South Beach Summer Ale* and *Breakwater Pale Ale*. The refreshed *Atomic Pale Ale*, *Sleeping Giant IPA*, *Small Batch Lager* and *Wahoo Summer Ale* have also been finalised and will be available on shelves in the coming weeks in time for summer. The refresh delivers on its goals to rediscover Gage Roads’ craft brewing credentials and communicate them to consumers, to ground the brand in a sense-of-place, unify the products into a branded family and ultimately create a platform for future sales growth and

increased brand value. This provides Gage Roads the opportunity to strengthen its position as Australia's 4th largest craft brand and further take advantage of the growing craft beer market.

### **Operations update**

During the first quarter FY15 the business has begun to execute its warehousing strategy with a view to move from a 100% just-in-time production system to holding an inventory of buffer stock and raw materials. A suitable site has been found and secured and is located less than 2km from the existing brewery plant. A lease over 2,200 m<sup>2</sup> has been signed for FY 2015 expanding to 4,400 m<sup>2</sup> for the following years. Tenure via options extends to 2024.

The benefits of this warehouse include a reduced likelihood of loss of sales resulting from forecasting errors, planned maintenance or breakdowns. Increased raw material compliance and larger packaging runs are also expected to provide greater production efficiencies. Larger pack runs and improved operational efficiencies allow for a change in shift structure, from 24/7 to 24/5, providing on-going cost benefits. An additional benefit is the ability to undertake weekly scheduled preventative maintenance during the weekends to de-risk our production capabilities over the coming summer months.

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

During the quarter the Company applied available free cash and debt capital towards improving our current account balance, resulting in the repayment of creditors. This, combined with an increase in accounts receivable caused a net negative operating cash flow for the quarter. The focus of the Company over the near future is to continue to improve its working capital balance sheet position.

Investing cash flows have been reduced to \$591k in current quarter. These cash outflows relate primarily to previously negotiated trailing payment plans for installed equipment and our continuous improvement program.

The Company has a \$9.7m debt facility which is drawn to \$8.1m and a \$2m overdraft facility which is currently undrawn.

### **Outlook for Q2 FY15**

Q2 FY15 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. With our warehousing strategy being put in place, I feel that the business is well-positioned to meet this challenge. Our strategic partnership with Woolworths remains strong, demand from our other contract brewing customers continues to grow and the Company's proprietary brands are now well-positioned. I am proud of the new products that the team has created and the way in which our existing products have been refreshed. Initial feedback has been very positive and I expect this response to translate into growing sales for our proprietary products and ultimately deliver FY15 earnings to shareholders in line with our long-term strategic plan."

- END-

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 2014

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	9,192	9,192
1.2 Payments for		
(a) staff costs	(1,516)	(1,516)
(b) advertising and marketing	(68)	(68)
(c) research and development	--	--
(d) leased assets	--	--
(e) other working capital	(9,245)	(9,245)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	3	3
1.5 Interest and other costs of finance paid	(94)	(94)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	<b>(1,728)</b>	<b>(1,728)</b>

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,728)	(1,728)
<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	(591)	(591)
(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>	(591)	(591)
<b>1.14 Total operating and investing cash flows</b>	(2,319)	(2,319)
<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	2,500	2,500
1.18 Repayment of borrowings	(13)	(13)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	2,487	2,487
<b>Net increase (decrease) in cash held</b>	168	168
1.21 Cash at beginning of quarter/year to date	1,027	1,027
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	1,195	1,195

+ 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	183
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	9,771	8,184
3.2	Credit standby arrangements	2,000	--

+ See chapter 19 for defined terms.

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

---

**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	1,195	1,027
4.2 Deposits at call	--	--
4.3 Bank overdraft	--	--
4.4 Other (provide details)	--	--
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,195</b>	<b>1,027</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <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: 24 October 2014.  
 (Company secretary)

Print name: Marcel Brandenburg

---

+ 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.

---

+ See chapter 19 for defined terms.