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ABN 22 103 014 320
ASX: GRB

Gage Roads Brewing Co Limited has been one of Australia's leading craft breweries for over 14 years.

The Gage Roads craft range includes Atomic Pale Ale, Sleeping Giant IPA, Narrow Neck Session Ale, Breakwater Australian Pale Ale, Single Fin Summer Ale, Pils 3.5% and Small Batch Lager which have grown to become one of Australia's most popular suite of brands.

Through its contract brewing services division, Australian Quality Beverages, the Company also provides specialist contract brewing and packaging services to brand owners throughout Australia.

ASX ANNOUNCEMENT

22 July 2016

Appendix 4C & Operations Update – 4th Quarter FY16

Gage Roads Brewing Co Ltd (ASX: **GRB**) ("Gage Roads") is pleased to report on the progress of the Company at the end of the three months to 30 June 2016.

4th QUARTER FY16 Highlights (3 months)

- Total packaged and draught sales of Gage Roads' proprietary craft beer products up 76% to 89K carton equivalents compared to Q4 FY15
- On-premise sales gaining traction, GRB draught sales up 280% over Q4 F15
- Total volume 3.5M Litres (up 65% on prior year Q4 comparative period)

Full Year FY16 Summary (12 months)

- Total packaged and draught sales of Gage Roads' proprietary craft beer products up 83% to 0.35M carton equivalents* in comparison to FY15
- Sales of Australian Quality Beverages down 13% to 1.05M carton equivalents (FY15: 1.2M carton equivalents)
- Total sales volume steady on prior year at 1.4M carton equivalents (11M Litres)
- Revenue up 5% to \$25.5M (FY15: \$24.4M)
- Gross profit improved to 52% (FY15: 51%)
- Net profit after tax (unaudited) up 174% to \$0.6M (FY15: (\$0.8M))

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

GRB craft range performing strongly, growing 83% year on year

Sales of Gage Roads' proprietary craft beer products, being the most profitable segment of the Company's sales portfolio, have experienced strong growth, increasing 83% to 0.35M carton equivalents.

The success of Gage Roads' draught and on-premise strategy has continued with new tap points secured at key Western Australian and interstate venues, contributing to a 180% increase in draught sales of the Company's proprietary brands over the prior year. Surging demand for our

award-winning draught product *Little Dove* has also led to the Company fast-tracking supply of kegs to Victoria and New South Wales.

The Company's strategy to expand on-premise distribution is designed to build the Gage Roads brand and establish an important touch-point for consumers. It is also aligned with the Company's focus on higher-margin products and a continued focus on the improved profitability of the business.

Sales made from the contract brewing division, Australian Quality Beverages (AQB), declined by 13% over the prior year. During the last quarter the Company worked with its customers to introduce new brands which softened the full-year decline in volumes and improved the position compared to the previous half-year and quarterly updates.

Total sales volumes across all divisions were 1.4M carton equivalents (11M Litres) for the year, which is in line with last year's volumes. Consistent with the Company's 5-year plan, growth in the Company's proprietary craft range offset the decline in contract-brewed volumes during the year, with the overall effect being an improvement in the Company's profitability.

Gage Roads returns to full-year profitability

Net profit after tax for the full year (unaudited) is expected to be circa \$0.6M, up \$1.4M from last year's result (FY15: (\$0.8M)).

The improvement in earnings resulted from the continued growth of the Company's proprietary craft beer range, which now represents 25% of the Company's sales profile compared to 14% in FY15. The higher concentration of proprietary brands in the sales mix has driven an improvement in revenue to \$25.5M (up 5%) and gross profit margin to 52% (up from 51% in FY15). Gains in operating efficiencies and a reduced cost structure (which were an operational focus during the year) also contributed to the positive result.

Cash Flow and Balance Sheet

The Company ended the quarter with strong cash reserves of \$3.6M. Net operating cash flows were \$1.8M for the quarter and were a result of higher cash receipts from higher Q4 sales as outlined above.

The Company has a \$9.7M debt facility which is drawn to \$9.6M and a \$2M overdraft facility which is undrawn.

5-Year Plan Progress Update

The full-year results are validating the Company's recently announced 5-year plan which focuses on growing the proprietary craft beer range and the production of high quality, higher margin products to drive earnings.

During the quarter the Company demonstrated further execution of its 5-year plan through the appointment of Sales & Marketing manager Scott Player, bringing strong independent sales and distribution experience to the business. Prior to this appointment Scott served as National Head of Sales

at Matso's Broome Brewery and Little Creatures, where he drove the development of sales strategy, new business opportunities and brand architecture. Furthermore, additional sales resources were deployed on the East Coast. The Company is in the process of securing national distribution to the independent retail trade through a number of key distributors.

Locally, the Company's craft range continues to grow in the independent retail channel. Sales and order rates at store level indicate strong and growing consumer demand in this new channel and the Company expects this success to be replicated on the east coast. Sales to independent retailers have increased 176% year-on-year in FY16.

The Company's award-winning *Little Dove* (Champion Australian Beer) continues to enjoy growing consumer demand. During the quarter the business worked to lift production to meet a rapid increase in orders as new tap points became available nation-wide. To meet this consumer demand the Company is expecting to release *Little Dove* in package in Q1 FY17 in time for the upcoming summer period.

Outlook for FY17

Over the upcoming 2017 financial year, the Company expects to:

- Continue to concentrate on transitioning its sales mix towards higher margin, craft products;
- Further expand its marketing and draught strategy on the Australian East Coast and generate on-premise traction in those States; and
- Execute strategies to distribute its proprietary craft beer portfolio through broader channels to market.

Managing Director John Hoedemaker was pleased with the result:

"FY16 was a great turnaround for the business. The shift in sales towards our growing high-margin proprietary brands and the improved profitability are evidence that the Company's 5-year plan is on the right track.

"Our overarching 5-year goal is to continue to drive earnings via higher margin products and increased draught volumes in our sales mix, access to new markets, an increased focus on sales and marketing, and more opportunities for consumers to engage with the Gage Roads products."

- END-

Marcel Brandenburg
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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")

30th June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	12,830	38,508
1.2 Payments for		
(a) staff costs	(1,341)	(5,272)
(b) advertising and marketing	(145)	(663)
(c) research and development	--	--
(d) leased assets	--	--
(e) other working capital	(9,387)	(29,580)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	--	--
1.5 Interest and other costs of finance paid	(138)	(577)
1.6 Income taxes paid	--	--
1.7 Other	--	--
Net operating cash flows	1,819	2,416

+ 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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	1,819	2,416
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	--	--
(b) equity investments	--	--
(c) intellectual property	--	--
(d) physical non-current assets	(9)	(436)
(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)	--	--
Net investing cash flows	(9)	(436)
1.14 Total operating and investing cash flows	1,810	1,980
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	--	--
1.16 Proceeds from sale of forfeited shares	--	--
1.17 Proceeds from borrowings	--	121
1.18 Repayment of borrowings	(36)	(159)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
Net financing cash flows	(36)	(38)
Net increase (decrease) in cash held	1,774	1,942
1.21 Cash at beginning of quarter/year to date	1,785	1,617
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 Cash at end of quarter	3,559	3,559

+ 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	179
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	9,773	9,685
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

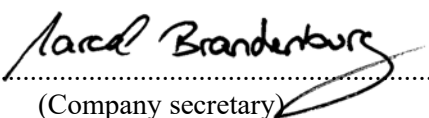
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	3,559	1,785
4.2 Deposits at call	--	--
4.3 Bank overdraft	--	--
4.4 Other (provide details)	--	--
Total: cash at end of quarter (item 1.23)	3,559	1,785

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: 22 July 2016.
 (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.