



ASX ANNOUNCEMENT

30 August 2016

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ASX: GRB

UNDERWRITTEN NON-RENOUNCEABLE ENTITLEMENT OFFER AND PLACEMENT TO RAISE \$10.1 MILLION

- A fully underwritten 4 for 5 non-renounceable entitlement issue of Shares to existing Shareholders to raise approximately \$8.5 million
- Complete an institutional placement of 63,900,000 Shares to raise approximately \$1.6 million
- Buy-back and cancellation of 100,016,305 Shares currently held by Woolworths Limited
- Repay \$4.7 million of existing debt, refinance and remove Woolworths as guarantor of the remaining debt
- Engage key management and employees, aligning shareholder interests with operational success

Gage Roads Brewing Co. Ltd (ASX: GRB) (“Gage Roads” or “the Company”) will today lodge a prospectus with the Australian Securities Exchange (“ASX”) for a fully underwritten non-renounceable entitlement issue and an institutional placement to raise \$10.1 million (before costs).

Under the proposed transaction, eligible Shareholders will be able to apply for 4 Shares for every 5 Shares held by those Shareholders registered at the record date at an issue price of \$0.025 per Share (“Offer”).

The Offer will be complemented by a placement to institutions of 63,900,000 Shares, also at the issue price of \$0.025 per Share, under the Company’s current 15% placement capacity to raise approximately \$1.6 million (“Placement”).

Funds raised will be applied to buying back and cancelling, subject to Shareholder approval, Woolworths Limited’s (“Woolworths”) 23.5 per cent stake in the Company at an agreed price of \$0.015625 per Share. This will provide the Company the independence necessary to pursue its five-year operational strategy, ‘*Returning to Craft*’ (investor presentation attached).

The balance of the funds will be used to pay down \$4.7 million of existing debt, materially de-leveraging the Gage Roads balance sheet, and providing the required working capital and financial flexibility to successfully deliver on the Company’s strategy. Refinancing of the remaining \$5 million of debt facilitates the removal of Woolworths as guarantor of the Company’s remaining debt.

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.

The transaction also allows up to 38 of Gage Roads' key management and employees to invest alongside institutional and retail shareholders and puts into effect an incentive plan that aligns with annual EBITDA targets and tenure conditions for financial years 2017 through to 2021.

Gage Roads Managing Director, Mr John Hoedemaker, said:

"The proposed transaction gives our shareholders, and the Gage Roads management team, the opportunity to buy back the brewery and return Gage Roads to its founding ethos and heritage of being an independent brewer of high quality craft beer.

"We launched the new five-year operational strategy earlier this year, underpinned by the rapidly growing demand for high quality craft beer in Australia. The final piece in rolling-out the strategy was achieving independence and the proposed transaction, we announced today, gives Gage Roads that flexibility and capacity."

Strategy Overview and Transaction Rationale

Gage Roads' revised strategy "*Returning to Craft*" is focused on growing its proprietary craft beer portfolio and the production of consistently high quality, higher margin products. Gage Roads is one of the largest independent craft beer brands in Australia and the only brewer currently listed on the ASX.

Integral to the Company's strategy is building a greater awareness of its brands through the expansion of its national sales and marketing team. The Company has a coordinated plan to open up opportunities for consumers to trial its products and engage with the Gage Roads brand values and ethos, through hotels, pubs and retail outlets nationally.

Since 2009, Woolworths has been a major shareholder of Gage Roads, providing production, supply and distribution support to the Company, and access to up to 25 per cent of the total beer market in Australia.

Gage Roads will retain the continued support of Woolworths via the recently executed three-year extension, with a further two-year option, of its supply and distribution agreement with Pinnacle Liquor Group Pty Ltd, a subsidiary of Endeavour Drinks Group (formerly Woolworths Liquor Group), as announced in May 2016. Over time, the supply agreement with Pinnacle sees the Company slowly un-wind the volume of contract production as we aim to replace that volume with growth of our proprietary brands.

The proposed buy back of Woolworth's shareholding in Gage Roads is aligned with the Company's commitment to growing its in-house brands, lessening its dependence on the contract brewing of mainstream beers and opening up distribution channels of its products to the remaining 75 per cent of the Australian beer market.

The proposed Transaction will provide Gage Roads with the ownership structure and financial flexibility, through materially lower debt and an improved working capital position, to successfully deliver upon its "*Returning to Craft*" strategy.

Transaction Timetable

Lodgement of Prospectus with the ASIC	30 August 2016
Lodgement of Prospectus & Appendix 3B with ASX	30 August 2016
Notice sent to Shareholders	1 September 2016
Ex date	2 September 2016
Record Date for determining Entitlements	5 September 2016
Prospectus sent out to Shareholders & Company announces this has been completed	7 September 2016
Closing Date*	28 September 2016
Shares quoted on a deferred settlement basis	29 September 2016
Annual General Meeting of Shareholders	30 September 2016
ASX notified of under subscriptions	4 October 2016
Issue date/Shares entered into Shareholders' security holdings	4 October 2016
Quotation of Shares issued under the Offer*	5 October 2016

* The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

Please find attached an investor presentation relating to the transaction and the 5-Year Strategy "*Returning to Craft*".

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Further information:

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GAGE
ROADS
BREWING CO



CAPITAL RAISING AND 5 YEAR PLAN "RETURNING TO CRAFT"

30 AUGUST 2016

FULLY UNDERWRITTEN ENTITLEMENT OFFER AND PLACEMENT

- Institutional placement of 63.9m shares @ \$0.025 per share to raise \$1.6m
- Fully underwritten 4 for 5 non-renounceable entitlement issue to existing shareholders of 341m shares @ \$0.025 per share to raise \$8.5m
- Selective Capital Reduction: buy back and cancellation of Woolworths' 100m shares @ \$0.0156 per share
- Retirement of debt: \$4.7m applied to reducing the Company's current facility from \$9.7m to \$5m
- Refinancing to remove guarantee: \$5m debt re-financed with the Commonwealth Bank of Australia, releasing Woolworths' guarantee over the current debt facility
- Issue of 129m incentive shares to up to 38 employees and management

Placement	
Issue price	\$0.025
New shares (millions)	63.9
Capital raised (millions)	\$1.6

Entitlement Issue	
Issue price	\$0.025
New shares (millions)	341
Capital raised (millions)	\$8.5

Use of Funds (millions)	
Buy-back WOW	\$1.6
Retire debt	\$4.7
Working capital	\$3.2
Cost of raising	\$0.6
Total Funds	\$10.1

Post-Transaction capital structure (millions)	
Shares on issue pre-transaction	426
Placement	64
Entitlement issue	341
Buy Back WOW shareholding	-100
Incentive share issue	129
Total Shares on issue post transaction	860

BENEFITS FOR SHAREHOLDERS

- Gage Roads Brewing becomes one of Australia's largest independent craft breweries
- Improved access to new distribution channels of untapped 75% of the beer market
- Balance sheet materially de-leveraged and improved working capital position secures the 5-Year Plan "Returning to Craft"
- Buy-back of Woolworths' shares at discount to the issue price provides benefit to all Shareholders
- Alignment of management through incentive shares promotes retention and motivation of management to deliver the 5-Year Plan





OVERVIEW OF 5-YEAR PLAN: RETURNING TO CRAFT

30 August 2016

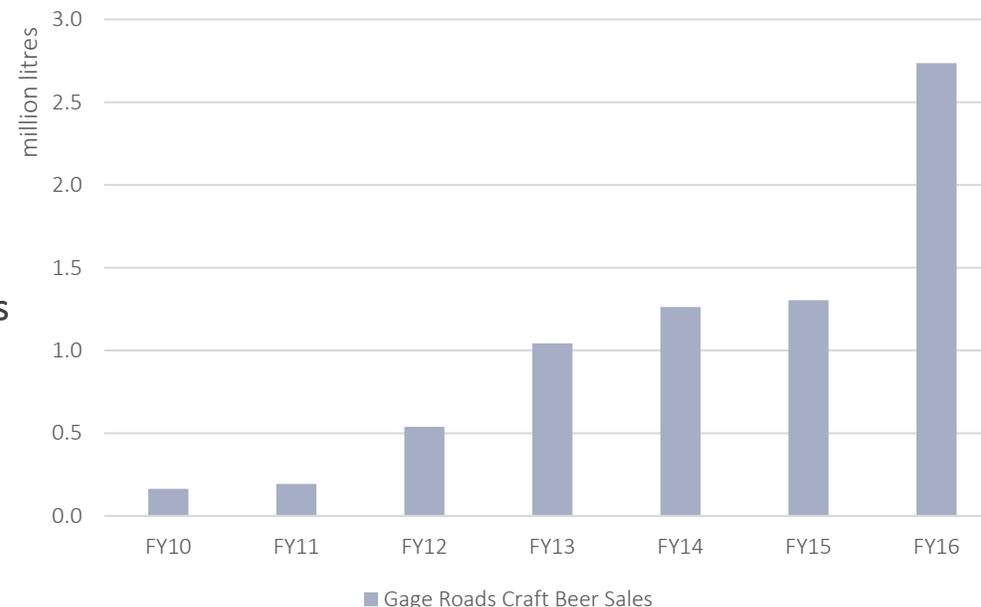
THIS IS GAGE ROADS BREWING CO.

A Proven Track Record

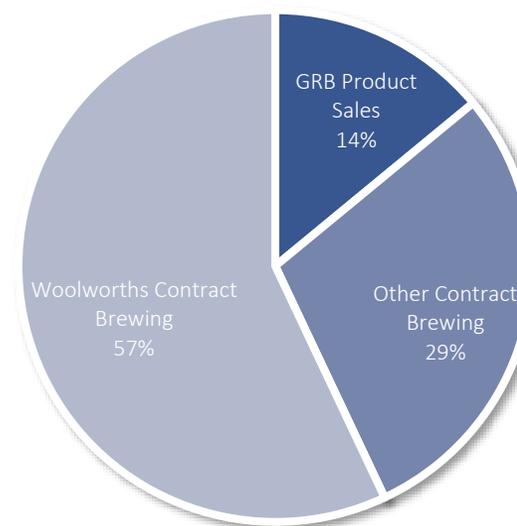
- One of Australia’s most established and awarded brewers of craft beer (established 2002)
- Currently producing 11 million litres p.a. comprising of 2.5 million litres proprietary craft brands and 8.5 million litres contract brewing
- State-of-the-art, world-class facilities, \$25m invested in capital expenditure since 2010, up to 17.4 million litres p.a. capacity
- Only brewer listed on Australia Securities Exchange (ASX)
- Since 2010, Company has achieved 28% CAGR in revenue
- Improved product mix and cost control delivered EBITDA \$2.7m in FY16
- Gross margins maintained over the past 7 years (circa 50%)

Returning to Craft

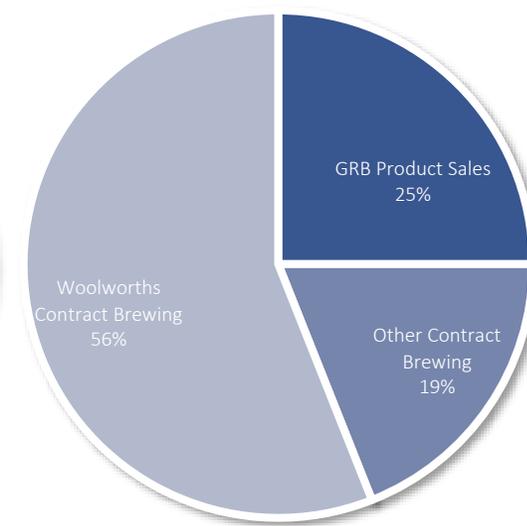
- The Company has announced a strategy to improve sales mix away from lower margin contract-brewing towards higher-margin craft beer by opening up previously untapped market segments



FY15 Revenue Breakdown



FY16 Revenue Breakdown



THE AUSTRALIAN CRAFT BEER MARKET

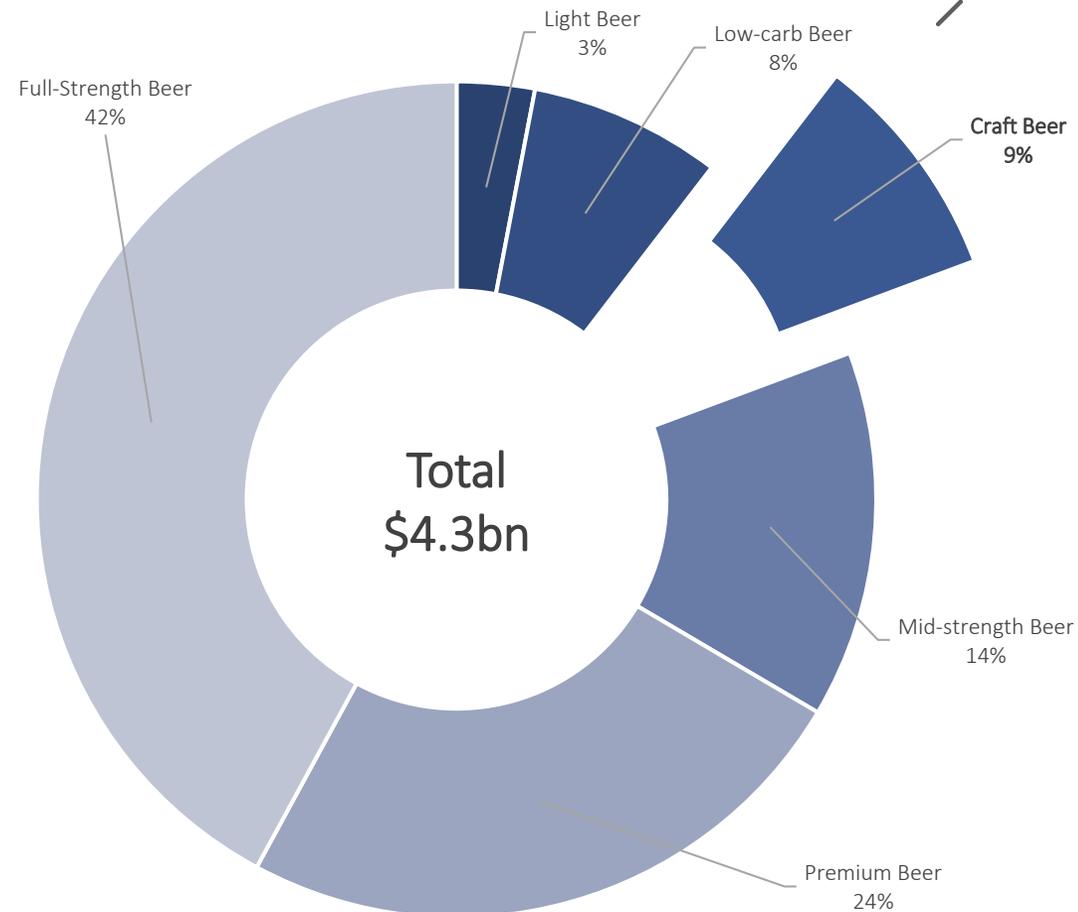
Craft Beer In Growth

- The Australian Craft beer industry is enjoying strong tail winds as consumers shift preferences away from mainstream beers to craft brands, now accounting for 9%* of the industry, up from (2%* in 2012)
- Major brewers have attempted to claw back market share and product relevance through acquisition of craft brands i.e. Little Creatures by Lion (2012), Mountain Goat by Asahi (2015), Byron Bay Brewing by Lion (2016)
- Organic and non-organic growth opportunities emerging in the Australian craft beer market, nationally over 230 craft brands established*

Key statistics

- Craft beer market growing at 16.4%^ (6-year CAGR)
- Total Beer market \$4.3bn*, declining 1.1%^ (6-year CAGR)
- Craft beer market expected to grow to 12-15%* of the overall market within 5 years (US Market 17-20%)

Beer Market Product Segmentation (2015-16)*



Market Share (2015-16)*



6 *Source: IBISWorld
^Source: Aztec Australia

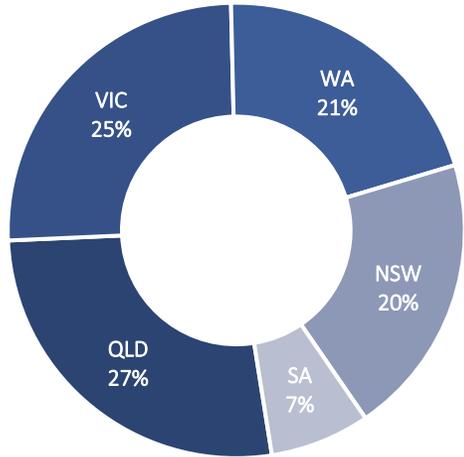
BEERS WORTH DRINKING

Great Products

- Suite of recognisable craft beers in the market
- Progressive, modern marketing strategy
- National craft range positioned for high volume potential
- Packaging with strong shelf presence
- Craft beer delivering strong margins
- Majority of major craft brands are owned by the big brewers, consumers value and support independents

In Growth

- Currently 350,000 cases per annum, a strong market has been developed for our brands in the current channel
- Gage Roads proprietary craft beer brands growing at 83%
- Craft beers contributing 25% of GRB's total sales volumes, up from 14% in FY15
- Gage Roads' proprietary craft beer brands now represent the largest independent craft beer brand in the Australian beer market



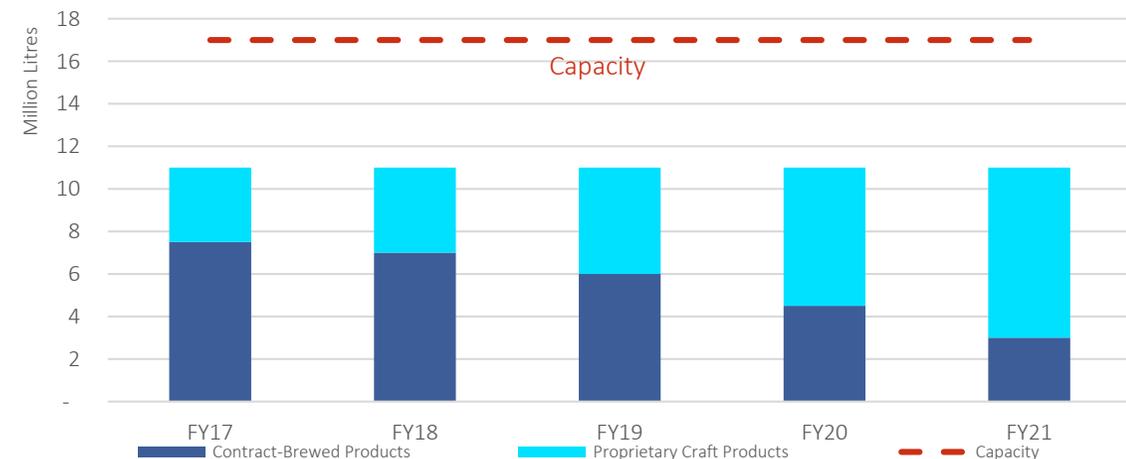
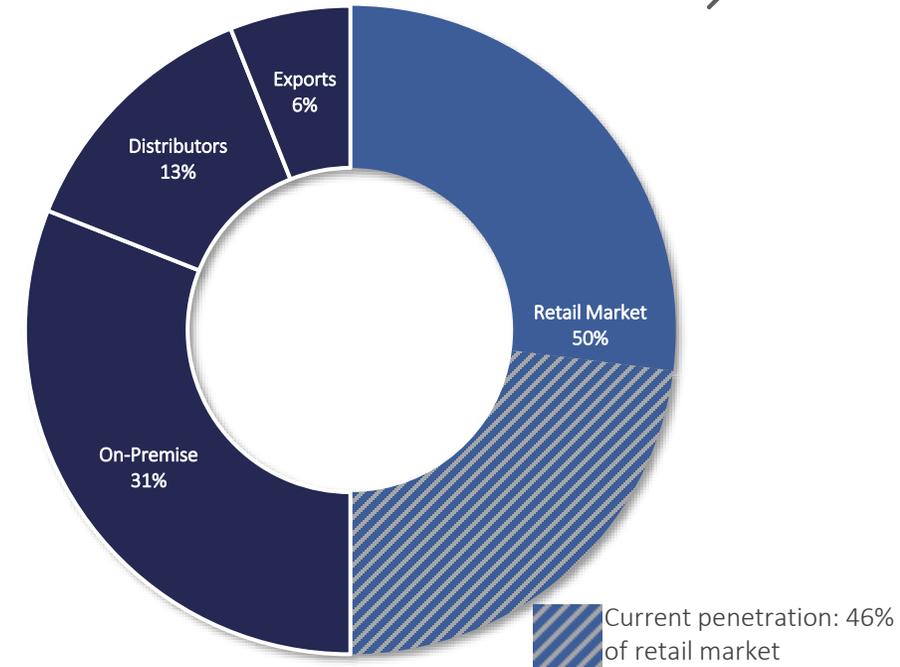
Australian Craft Retail Market *(Source: Aztec Australia)*

Ranking	Company	Range	Est. market share
1	Lion	James Squires Brands	30.2%
2	SAB-Miller	Matilda Bay Brands	16.5%
3	Lion	Little Creatures Brands	10.9%
4	Coles Liquor	Coles Private Label Craft	5.4%
5	Asahi Premium Beverages	Cricketers Arms Brands	3.9%
6	Gage Roads Brewing Co Ltd	Gage Roads Craft Brands	3.9%
7	Endeavour Drinks Group	John Boston Brands	3.8%
8	Stone & Wood	Stone & Wood Brands	3.0%
9	Matso's Broome Brewery	Matso's Brands	3.0%
10	4 Pines Brewing	4 Pines Craft Brands	2.5%
11	Asahi Premium Beverages	Mountain Goat Brands	2.3%
12	Coca Cola Amatil	Yenda Brands	2.0%
13	SAB-Miller	Cascade Brands	1.4%
14	Rebellion Brewing	O'Brien Brands	1.0%
15	Lion	White Rabbit Brands	0.1%

THE OPPORTUNITY

- Resonating, well-supported brands
- Growing craft beer market
- Current channel revenues secured via supply agreement
- Unlock the other half of the retail market
- Unlock the on-premise market (31% of total beer market*)
- Convert current volumes (11 million litres p.a.) to
 - higher-margin own brand craft range
 - higher margin draught volume
- Room to over-deliver 6 million litres (0.76 million carton equivalents) with additional capacity, no further significant capital expenditure required

Australian Beer Market*



THE 5-YEAR PLAN

BRANDS

- Build on current brand momentum
- Prioritise craft beer brands, replace contract brewing volumes over time
- A shift to craft brands and draught designed to improve gross profit margins
- Award winning pedigree

SALES & DISTRIBUTION

- New supply agreement with Woolworths supports current revenue streams and provides flexibility to target new channels while ratcheting down contract-brewing obligations
- Build national in-house sales capability
- Roll out distribution strategy targeting remaining 54% of the retail market
- Roll out distribution strategy targeting the on-premise draught market

MARKETING

- Expand current marketing strategy to new channels

MANAGEMENT

- Aligning management and shareholders with equity incentives linked to KPI's
- New Sales & Marketing executive hired in May 2016



BRANDS

High Volume Potential

- Portfolio tailored towards highest volume categories
- Approachable and recognisable styles
- Price-positioning delivers real consumer value

Fresh and Consistent

- Rapid shelf turn keeps fresh beer coming through
- World-class facilities and personnel deliver consistent quality

Innovative Liquids

- Strong early presence in Summer Ale segment with *Single Fin*, now the fastest growing segment
- Dynamic new product development process

Designed For Impact

- Packaging designed for shelf impact
- Bold colours, unique design architecture, quality materials



AUSTRALIAN INTERNATIONAL BEER AWARDS

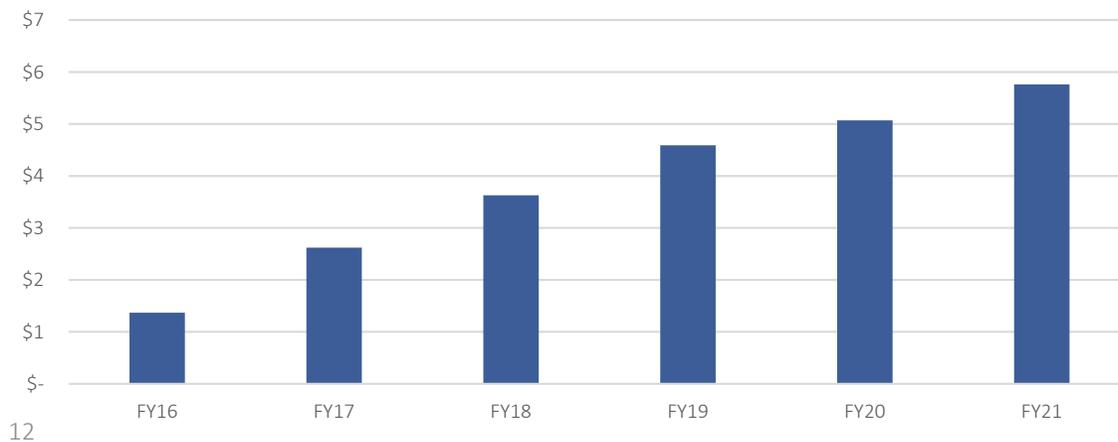
PRODUCT	FORMAT	CATEGORY	AWARD
Little Dove	Draught	Champion Australian Beer	Trophy
Little Dove	Draught	Best New World Style Pale Ale	Trophy
Little Dove	Draught	Best New World Style Pale Ale	Gold Medal
Breakwater Pale Ale	Bottled	Best Australian Style Pale Ale	Silver Medal
Back Yard to Bottleshop ESB	Draught	Best British Style Pale Ale	Silver Medal
Sleeping Giant IPA	Draught	Best IPA	Silver Medal
Sleeping Giant IPA	Bottled	Best IPA	Silver Medal
Narrow Neck	Draught	Best IPA	Silver Medal
Single Fin Summer Ale	Bottled	Best New World Style Pale Ale	Silver Medal
Narrow Neck	Bottled	Best IPA	Bronze Medal
Single Fin Summer Ale	Draught	Best New World Style Pale Ale	Bronze Medal
Atomic Pale Ale	Draught	Best New World Style Pale Ale	Bronze Medal
Pils 3.5%	Draught	Best Reduced or Low Alcohol	Bronze Medal
Blackwood Wet Hop Ale	Draught	Best Speciality Beer	Bronze Medal



SALES

- Investment in sales resources, marketing and distribution expected to increase to circa \$6m p.a. by 2021
- High-profile sales & marketing executive Scott Player appointed in May 2016
- Building brand-passionate, national, in-house sales capability
- National sales team expanding to 17
- National marketing team expanding to 5
- Proven model to penetrate independent liquor retailers and on-premise outlets

Sales, Marketing & Distribution Investment (\$m)



Sales & Marketing Human Resources

Resources	FY16	FY17	FY18	FY19	FY20	FY21
National Sales & Marketing Manager	1	1	1	1	1	1
National Key Account Manager	1	1	1	1	1	1
On-premise Sales	3	4	4	5	5	5
Multi Channel Sales	0	4	8	10	10	10
Marketing Team	3	5	5	5	5	5
Total Human Resources	8	15	19	22	22	22

DISTRIBUTION: RETAIL

- Continued support in existing retail channel to market with extended 3 Year supply agreement with additional 2-Year option (circa 1,400 outlets)
- Target available untapped independent retail bottle shops (circa 2,300 outlets)
- Approach other large national retail chains to broaden distribution and market share (circa 800 outlets)
- Gage Roads tested increased distribution through the retail channel in WA
 - Retail take-up extremely promising during Q4 FY16
 - Strong re-orders in excess of targeted 4 cartons per store per week continue
 - Sales rates indicate new customers are being introduced to our craft beer brands



DISTRIBUTION: ON-PREMISE

- The on-premise market represents 31% of the total beer market
- Approximately 3,000 bars, club, hotels, restaurants present a large market for our brands (currently accessing around 100 venues)
- The Company's Western Australian draught strategy has been extremely successful to-date
 - Targeting key iconic venues and craft leaders
 - 180% growth FY16
- Strong draught margins of 80% – 85% contribute to improved blended gross profit margin



MARKETING

Craft Beer Drinkers Don't Want To Be Marketed To

- Bold, flashy advertising campaigns are for “Big Beer”
- Consumers choose craft brands as an alternative to the mainstream
- Our marketing strategy is alternative

Help Beer Drinkers Discover

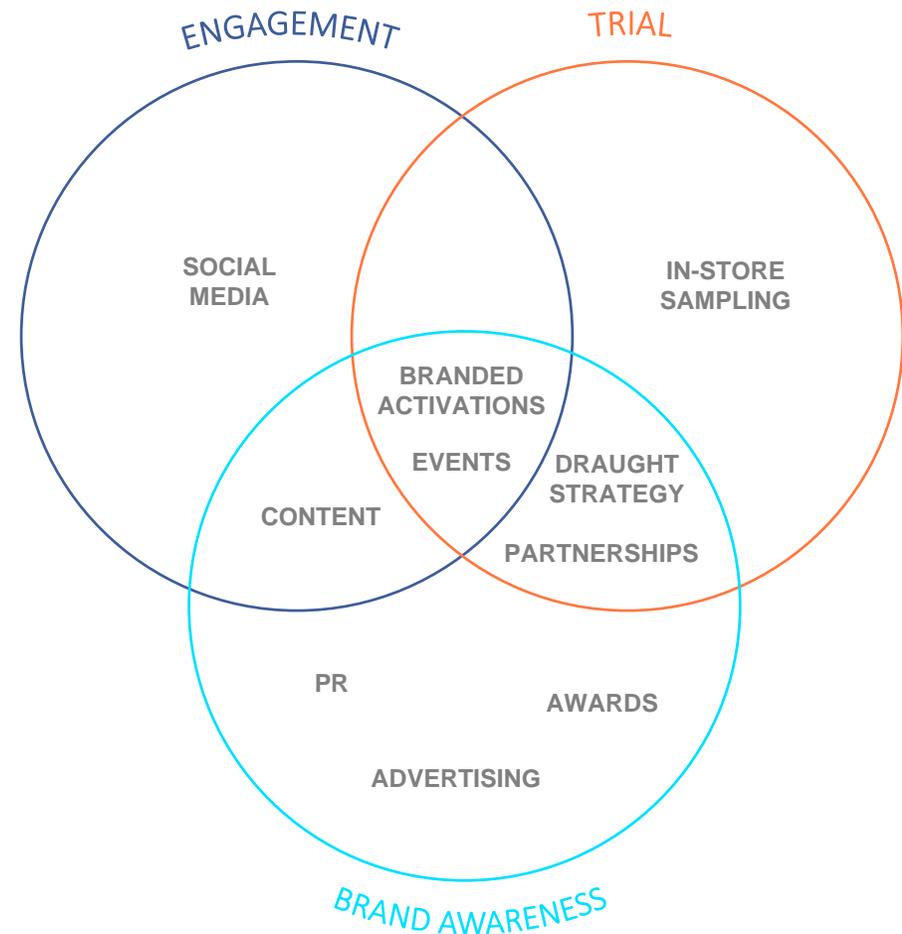
- Our strategies give beer drinkers the opportunity to “discover” our beer and build a positive connection with our brand

Three Pillar Strategy

- Increasing **BRAND AWARENESS**
- Increasing opportunities for **TRIAL**
- Creating an **ENGAGING** brand experience

Highly Effective

- Low cost for big impact
- Builds strong brand engagement



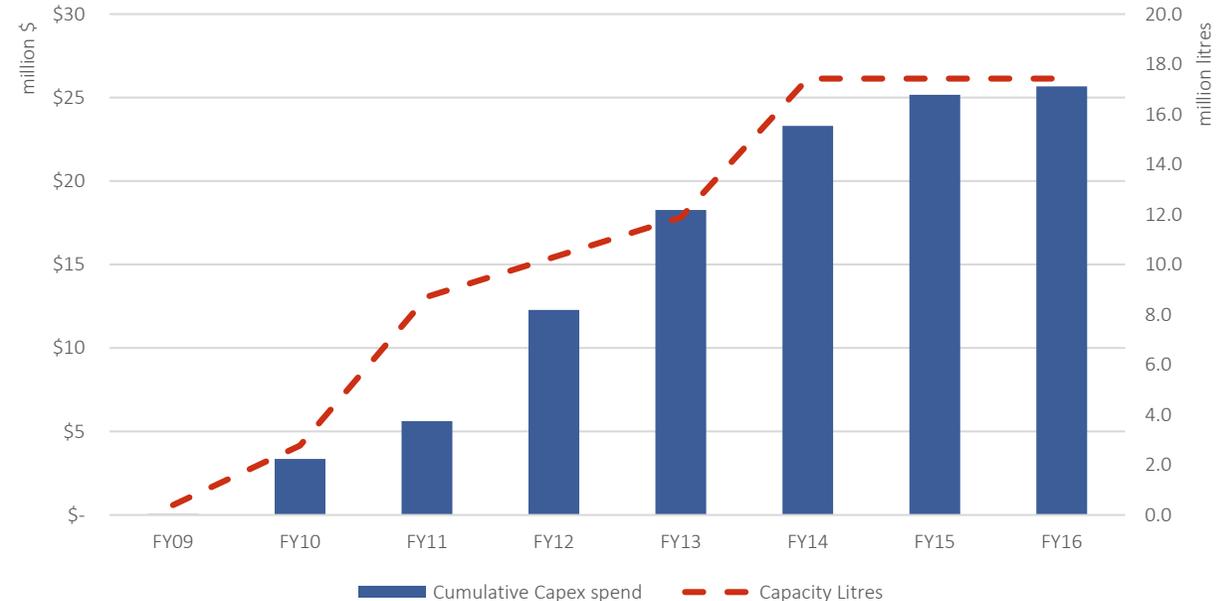
MANAGEMENT

- Talented and experienced brewing, management and executive team
 - MD, 14 years with GRB
 - COO, 14 years with GRB (ex-Little Creatures)
 - CFO, 5 years with GRB
 - Sales & Marketing Executive, 19 years experience (ex-CUB and Little Creatures)
- Long tenure of personnel reflects strong culture and connection with the Company
- Strong focus on training and industry-specific skills and contribution to the wider brewing community
- Aligned to shareholders interests via vesting conditions linked to earnings and tenure KPI's
- Structure of share incentive plan allows the business to retain key employees to execute the 5-year plan and beyond



PLANT AND EQUIPMENT

- More than \$25m invested since 2010
- State-of-the-art equipment from leading international suppliers
- Fully compliant with world-wide best practice quality standards
- Flexibility to produce a vast range of craft products
- Achieves production efficiencies required to deliver volume-driving product price points with sufficient margins
- Competent and highly-trained personnel
- Efficient logistics and distribution
- Capacity to produce up to 17.4 million litres p.a. without significant further capital expenditure



Disclaimer

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No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.



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