



30 April 2013

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

### **Appendix 4C & Progress Update – 3rd Quarter FY13**

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**

Year to date production across the portfolio has grown 10% over the prior year comparative period (YTD 31 March 2012 "PYCP") resulting in a revenue increase of 12% over that same period despite relatively greater levels of production interruption caused by the Company's capital expansion program.

Gage Road's proprietary brands have contributed strongly with an uplift of 47% over the PYCP and strong performers continue to be Atomic Pale Ale as well the award-winning Sleeping Giant IPA.

Production for existing contract brewing customers (other than Woolworths) also contributed strongly with an increase of 74% over the PYCP as a result of brand growth and greater access to market. Production for the new contract brewing customers commenced in early April and whilst they will contribute to the next quarter, we expect more significant contribution in FY14.

Sales volumes to Woolworths have fallen by 4.4% over the PYCP following a reversal of the pre-Christmas stock build up (as previously announced) and the strategic re-positioning of retail shelf pricing on a number of their higher volume products that was undertaken during the year. Although this has resulted in a short-term reduction in overall volumes produced for Woolworths the strategic re-positioning, designed to create more meaningful and enduring brands, will strengthen their growing contribution to the Company's production profile over the coming years.

#### **Appendix 4C – Operating Cash Flow**

The Appendix 4C (attached) indicates negative operating cash flow of \$0.87m for the quarter in comparison to the previous quarter's positive net operating cash flow of \$3.7m and positive net operating cash flows of \$3.6m for the year to date.

Although the underlying EBITDA (free cash flow) performance of the company has remained materially consistent over the first 3 quarters of the year and in line with the Company's expectations, the current quarter's operating cash flow is indicative of the Company's sensitivity to working capital fluctuations. During the previous quarter, changes in the Company's working capital position contributed \$3.3m to the operating cash flow including the negotiation of improved terms with creditors and the reduction in debtor's days outstanding. These funds were used to fund the capital expenditure program at the time.

This quarter has seen a reversal in the Company's working capital position consuming \$1.3m from the operating cash flow primarily due to an increase in debtors and the repayment of other short term payables.

### Capital Raising

As announced today, the Company has completed a 15 cents-per-share placement to institutional investors. Woolworths Limited has exercised its right under the subscription agreement to retain its proportional shareholding. In total the Company has issued 50,513,439 ordinary shares and raised \$7,482,635.

The expected use of funds will be as follows:

	Use of Funds
Part repayment of ANZ facility	\$4,000,000
Working Capital	\$3,182,635
Expenses of the placement	\$300,000
	<b>\$7,482,635</b>

The Company has also announced a Shareholder Share Purchase Plan that allows existing shareholders to participate at the same share price that was offered to the institutions. If fully subscribed, this plan will raise up to \$500,000 and is expected to be applied towards working capital. Documents in relation the Share Purchase Plan were dispatched to shareholders today.

### New Products

During the quarter, Gage Roads launched "*Abstinence*", a limited release 640mL craft brewed Belgian Chocolate Dubbel. *Abstinence* was designed to take advantage of the Easter holiday period and was successfully sold at that time and further highlights Gage Roads' passion for high quality craft brewed beer. The Company has also worked with the team from Pinnacle Liquor to design a craft brewed Imperial Stout called "*Jack Tar*" which will be ranged in the 4<sup>th</sup> quarter as part of the Sail & Anchor range of craft brewed beers. Production for McLaren Vale Brewing Company's "*Vale Ale*" and San Miguel Yamamura's "*Celtic Premium Bleu*" and "*Celtic Golden Wheat*" also commenced in April 2013.

### Capital Expansion Program

The capital expansion program has largely concluded and the Company has now achieved an annual production capacity of 2.5m cases per annum as at the end of the quarter. To achieve 3m cases per annum two additional 100hL fermentation tanks will be purchased and installed when required at a cost of approximately \$200,000. During the quarter new filtration and automated cellar equipment was also commissioned allowing the operations team to filter and move liquids in a more efficient manner and will be integral in achieving the Company's goal of reducing operating costs by 50% per carton by FY15. The next quarter will see quality-driven projects such as the commissioning of the new yeast propagation and management system, the relocation of the conditioning cellar and general site improvements. Thereafter, the Company's ongoing capital expenditure is expected to reduce to a sustaining level of approximately \$0.7m per annum.

- END-

John Hoedemaker  
Managing Director  
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> March 2013

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	9,088	27,719
1.2 Payments for		
(a) staff costs	(1,165)	(3,015)
(b) advertising and marketing	(17)	(53)
(c) research and development	--	--
(d) leased assets	(7)	(20)
(e) other working capital	(8,655)	(20,638)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	--	2
1.5 Interest and other costs of finance paid	(115)	(392)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	(871)	3,603

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(871)	3,603
<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	(1,478)	(4,557)
(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>	(1,478)	(4,557)
<b>1.14 Total operating and investing cash flows</b>	(2,349)	(954)
<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	80	147
1.18 Repayment of borrowings	(20)	(82)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	60	65
<b>Net increase (decrease) in cash held</b>	(2,289)	(889)
1.21 Cash at beginning of quarter/year to date	2,980	1,580
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	691	691

+ 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	(162)
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	9,794	9,705
3.2	Credit standby arrangements	--	--

+ 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	691	2,980
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)	691	2,980

**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: 30 April 2013.  
 (Company secretary)

Print name: John Hoedemaker

---

+ 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.