



28 April 2014

Company Announcements Office  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**Equipment commissioning fault interrupts production profile for 4th Quarter FY14**

In accordance with its ASX Continuous Disclosure obligations, the Company would like to inform the market that it has become aware of an issue that has impacted the Company's production profile for Q4 FY14 and will negatively impact earnings for the second half.

A recent processing fault occurred during the commissioning of some remaining items of the new brew house project, which had been delayed until after summer to accommodate the Company's increased production profile. Whilst the cause of the fault has been identified and corrective action is being taken, products manufactured during the period have not met the Company's strict quality assurance standards and will not be released to market.

The impact is expected to be the loss of approximately 140,000 cartons, representing \$1.12m in gross profit, and with corresponding fixed expenditure unlikely to be recovered, this loss of gross profit will directly impact earnings in the second half of FY14.

Managing Director John Hoedemaker said: "Whilst this disruption and earnings impact is disappointing for the Company, employees and shareholders alike, it represents a short term challenge as the business works to commission new machinery and minimise operational risks resulting from the very fast growth in sales, production and earnings that has occurred over the last few years.

Our strong sales growth, customer relationships and long-term objectives of the Company are on track and I remain committed to delivering on our 4-year plan, including earnings growth through diversification and growth of revenue streams, improvement in manufacturing costs and taking advantage of the burgeoning craft beer market."

Please find following the Appendix 4C (attached) and further progress update for the 3rd Quarter FY14.

AUSTRALIA'S CRAFT BREWERY

GAGE ROADS BREWING CO LTD  
ABN 22 103 014 320

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## **Appendix 4C & Progress Update – 3rd 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.

### **Q3 FY14 Highlights**

- Revenue up 39% on prior year-to-date to \$23 m (unaudited)
- Total production volume up on prior year-to-date 37% to 1.4m carton equivalents\*
- Keg production volume up on prior year-to-date 75% to 11,203 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 37% over the 9-month prior year-to-date (prior year comparative period "PYCP"). Corresponding revenue has increased by 39% over the same period. Sales in our contract customer segment have grown by 106% over the prior year-to-date and continue to form an important part of our strategy to diversify our revenue streams. The Company's draught strategy contributed strongly to the growth in total production volume. This result highlights the positive relationship and strong support we continue to receive from our customers and cornerstone partners.

The re-branding for Gage Roads' proprietary products is currently underway and expected to be available on shelves in September 2014 in time for the summer sales period. The refreshed craft portfolio including 3 new products has received positive initial feedback from our industry partners. The new craft range, including our best-sellers Atomic Pale Ale and Sleeping Giant IPA is expected to increase sales and position Gage Roads as a key player in the growing craft beer market. Gage Premium Lager and Wahoo will be re-designed and re-positioned to correct their current decline, which is the largest contributor to an 18% decrease in overall sales in comparison to the prior year-to-date period.

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

During the quarter the Company has applied available cash flow from operations towards a reduction in creditors with a view to improving the working capital balance sheet position.

Payments for non-current physical assets amounted to \$1.08m and were a combination of trailing payments for the existing brew house of \$364k, the new kegging machine of \$429k and the remainder on other plant improvements.

Proceeds of \$372k 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.

As announced on 24 February 2014, the Company has extended its existing \$5.7m credit facility and corresponding guarantee from Woolworths Limited by 12 months, expiring on 1 October 2015. This will be represented as a non-current liability in the full year FY14 annual report.

### **Outlook for Q4 FY14**

As announced above, the Company experienced a setback with the commissioning of some of the brewing equipment which has interrupted our production profile for Q4 FY14. During the period of non-production, which is estimated to represent 140,000 carton equivalents, the Company will be unable to recover the relatively fixed nature of its cost base and it is expected to have a negative impact on the Company's earnings for H2 FY14.

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Marcel Brandenburg  
Company Secretary  
Gage Roads Brewing Co Ltd  
Tel: (08) 9314 0000

AUSTRALIA'S CRAFT BREWERY

GAGE ROADS BREWING CO LTD  
ABN 22 103 014 320

# 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 2014

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	13,546	37,066
1.2 Payments for		
(a) staff costs	(1,495)	(4,015)
(b) advertising and marketing	(43)	(248)
(c) research and development	--	--
(d) leased assets	(0)	(9)
(e) other working capital	(12,357)	(32,555)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	9	68
1.5 Interest and other costs of finance paid	(78)	(252)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	<b>(418)</b>	<b>55</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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(418)	55
<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	(1,080)	(3,422)
(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>	(1,080)	(3,422)
<b>1.14 Total operating and investing cash flows</b>	(1,498)	(3,367)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	372	922
1.16 Proceeds from sale of forfeited shares	--	--
1.17 Proceeds from borrowings	106	198
1.18 Repayment of borrowings	(21)	(103)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	457	1,017
<b>Net increase (decrease) in cash held</b>	(1,041)	(2,350)
1.21 Cash at beginning of quarter/year to date	3,864	5,173
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	2,823	2,823

+ 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	5,843	5,755
3.2	Credit standby arrangements	1,000	--

+ See chapter 19 for defined terms.

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

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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	2,823	3,864
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)	2,823	3,864

**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: 28 April 2014.  
 (Company secretary)

Print name: Marcel Brandenburg

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+ 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.

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