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Gage Roads Brewing Co Ltd
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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 12 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.

29 January 2016

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

Appendix 4C & Progress Update – 2nd Qtr FY16

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.

H1 FY16 Summary

- NPAT increased by 147% (unaudited) over H1 FY15
- Carton and keg sales of Gage Roads' proprietary products up 132% to 222k carton equivalents*
- Sales of Australian Quality Beverages down 32%
- Total sales volume down 14% on prior year comparative period to 743k carton equivalents

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

Sales Results

The NPAT result for the half-year (unaudited) has improved over H1 FY15 (prior year comparative period "PYCP") by 147%. The earnings uplift is in keeping with the Company's strategy to deliver earnings growth at lower volumes by concentrating on higher margin products and reducing costs through improved operating efficiencies.

Sales of Gage Roads' proprietary brands, being the most profitable segment of our sales portfolio, have improved 132% over the same period last year and were a significant contributor to the improved earnings result. It is particularly pleasing to see that the Company's strategy to invest in its proprietary brands is proving successful at this early stage and that the sales have exceeded our internal expectations.

During the half-year *Atomic Pale Ale* exceeded 100,000 cases per annum on a moving annual total basis and is one of the highest selling beers in the Pale Ale category in Australia. This is a considerable result considering the Company's current distribution extends to less than half of the available beer market. Similarly, our *Single Fin Summer Ale* has been enormously popular and has proven to be a fantastic addition to our portfolio.

The continued success and growth of the Company's proprietary brands provides an opportunity for the business to explore strategies to take these brands to new channels to market.

The marketing strategy, which continues to focus on creating opportunities for trial, increasing awareness, and creating engagement has been an important factor in driving retail sales growth. Awareness continued to be driven via increased partnership & event activity (up 122%) and saw the addition of major public events such as The Beaufort Street Festival (Western Australia's largest public/street festival). In the second half of FY16 the Company will activate new opportunities with new and existing event partners in Perth, Melbourne, and Brisbane. Trial was generated via increased draught and on-premise distribution, participation in consumer and trade beer-related events, branded activations, and in-store sampling.

Gage Roads' draught and on-premise strategy has gained significant traction with more tap points secured at key WA venues. This strategy forms an important part of our marketing approach and serves to build the Gage Roads brand and establish an important touch-point for our consumers. The execution of this strategy has seen 161% growth in draught sales of our proprietary products over the PYCP and has contributed to the success of our products in off-premise (retail).

Sales made from our contract brewing division, Australian Quality Beverages, declined by 32% over the PYCP. This is reflective of a market-wide decline of mainstream, commercial-style beers. The business's contract-brewed mainstream products have experienced increased competitive pressures as the larger Australian brand owners seek to maintain volumes via targeting increased market share in a declining market. Consequently, Gage Road's broader strategy sees the business unwinding its reliance on these types of commercial beers over time as we deliver growth in our proprietary product portfolio and other higher margin contract brewed products.

Operations update

Focusing on production processes that improve quality and productivity together with our warehousing strategy has enabled the business to achieve sustained operational efficiencies that are in line with or have exceeded best-practice industry benchmarks. This in turn has enabled the business to achieve cost savings with variable labour being reduced by 19% over the PYCP from 22c per litre to 18c per litre. Similarly, variable production overheads have improved by 13% over the PYCP from 18c per litre to 13c per litre. We expect these savings to be on-going and to contribute to improved earnings into the future.

Cash Flow and Balance Sheet

The Company ended the quarter with healthy cash reserves of \$2.5 million on the back of a successful 6 months.

Net operating cash flows were \$774,000 for the quarter and are supported by the improved earnings result as discussed above.

Investing cash flows have been reduced to \$128,000 in the current quarter. These cash outflows relate to our continuous improvement program.

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

Outlook for H2 FY16

Over the next 6 months, the Company expects to:

- Continue to concentrate on a sales mix shift towards higher margin craft products;
- Further expand our marketing and draught strategy on the Australian east coast and generate on-premise traction in those States;
- Explore strategies to distribute our proprietary portfolio to broader channels to market, and
- Continue to focus on production efficiencies that deliver cost savings.

Managing Director John Hoedemaker said:

“Although the second half of the financial year traditionally presents softer trading conditions for the business, I am pleased to see our strategy to target both strong margins and category growth with our craft products is delivering the business improved earnings.

I'm excited to see Gage Roads' proprietary brands doing well and that the hard work from our brewing, packaging, sales and marketing teams and all employees at every level of the organisation are translating into sustained sales growth at strong margins.

The consumer confidence in our craft range has given the Company and its shareholders opportunities to seek expanded distribution and sales in other and new channels to market. During the second half the business will explore these opportunities and target accretive sales in expanded channels to market.”

- 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")

31st December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	12,006	21,816
1.2 Payments for		
(a) staff costs	(1,335)	(2,695)
(b) advertising and marketing	(123)	(246)
(c) research and development	--	--
(d) leased assets	--	--
(e) other working capital	(9,636)	(17,302)
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)	(304)
1.6 Income taxes paid	--	--
1.7 Other	--	--
Net operating cash flows	774	1,269

+ 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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	774	1,269
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	(128)	(343)
(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	(128)	(343)
1.14 Total operating and investing cash flows	646	926
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	58	58
1.18 Repayment of borrowings	(30)	(91)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
Net financing cash flows	28	(33)
Net increase (decrease) in cash held	674	893
1.21 Cash at beginning of quarter/year to date	1,836	1,617
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 Cash at end of quarter	2,510	2,510

+ 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	176
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	9,777	9,689
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

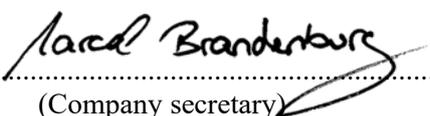
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,510	1,836
4.2 Deposits at call	--	--
4.3 Bank overdraft	--	--
4.4 Other (provide details)	--	--
Total: cash at end of quarter (item 1.23)	2,510	1,836

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: 29 January 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.