



ASX ANNOUNCEMENT

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GOOD DRINKS SECURES LOCATION FOR FIRST EAST COAST MICRO-BREWERY AND TAPROOM

Gage Roads Brewing Co Ltd (“Gage Roads”, “Good Drinks”, “the Company”) is pleased to advise that it has secured a site for its first microbrewery and taproom. Located in the inner-city Sydney suburb of Redfern, the site is situated in the midst of a local hospitality precinct that is also adjacent to significant transport infrastructure. The venue comprises 578 square meters and will house a small craft brewery as well as a 250-person hospitality operation that will be open to both the public and trade.

Rationale

The creation of microbreweries and associated taprooms is a well-established, internationally proven concept used by most successful craft brewers to build their brand.

The Company’s strategy has two primary benefits; to significantly improve awareness of proprietary brands driving increased retail sales on the east coast, and to deliver a standalone financial return.

Importantly the strategy also provides for a number of ancillary benefits, including:

- Improving consumer and trade awareness in key local markets;
- Providing significant logistical advantages in draught beer distribution in local markets;
- Local microbreweries are key to expanding draught sales and brand-in-hand activation;
- Expected to accelerate east coast retail sales beyond those considered by the current 5-year strategy;
- Directly aligned with existing strategy to shift sales mix to proprietary brands;
- Creates an important hub for Good Drinks’ sales force;
- Promotes product innovation and collaboration with industry; and
- Local brewery community connection fast-tracks our existing “brand-in-hand” strategy.

Investment Parameters

The Company will invest circa \$3 million for the installation of a brewhouse and taproom fit-out of the premises, which will be funded via existing operating cash flows and credit facilities.

Subject to timing of regulatory and licensing approvals, the microbrewery and taproom is expected to be operational within 12 months and will commence generating positive cash flows from that date.

Gage Roads Brewing Co Limited is one of Australia’s leading craft breweries. Since commencing brewing operations in 2004, Gage Roads Brewing Co Limited has been at the forefront of the thriving craft beer industry, producing some of Australia’s most popular beer and cider brands including Alby, Hello Sunshine, Matso’s Broome Brewery and the Gage Roads range of craft beers.

Gage Roads Brewing Co’s distribution extends across Australia through its national sales and marketing team, Good Drinks Australia, providing its portfolio of award-winning beer and cider to Australia’s leading retailers and hospitality venues.

To support our east coast growth strategy, part of the earnings generated will be re-invested to fund the growth of our Good Drinks division in NSW.

Indicative Financial Parameters	
Total investment	\$3 million for installation of brewhouse and fit-out of the taproom
Timing of capital expenditure cash outflows	March 2019 – December 2019 (subject to regulatory and licensing approvals)
Funding mechanism	Existing operating cash flows and debt facilities
Expected commencement of trade	Q3 FY20 (subject to regulatory and licensing approvals)
Re-Investment Policy	Part of the earnings from this business unit will contribute to growing the Company's Good Drinks sales and distribution division

Strategy Execution

As this is a new venture for Gage Roads, the Company was conscious of the requirement for appropriate expertise to mitigate execution risk of the strategy and has appointed Stew Wheeler as General Manager of Hospitality to oversee the construction of the venue and its management upon completion.

Stew has significant experience in planning, building and operating contemporary hospitality operations, having spent the last 5 years building international Little Creatures brewery venues in Hong Kong, Singapore, London and San Francisco as General Manager of Hospitality for Lion.

He has excellent knowledge and understanding of the on-premise trade with many years in management positions in the hotel and hospitality industry.

The Company is delighted to have appointed Stew to this key position and has included him in the most recent issue of employee shares to help secure him for the long-term benefit of the Company and all Shareholders.

Key Terms of the Lease

Commencement Date	8 March 2019
Initial Term	5 years
Option 1	5 years commencing 2024
Option 2	5 years commencing 2029
Other key terms	The lease is subject to council and licensing approvals and the Company has an option to terminate the lease if any of the conditions imposed under those approvals are not suitable. The lease contains 4 months of rent-free periods.

Comment from Managing Director

Gage Roads' Managing Director, Mr John Hoedemaker, said: "We are incredibly excited to embark upon a new phase of expansion in this important Australian market. The Redfern microbrewery and taproom will generate incremental earnings for our business whilst complementing our existing 5-year growth strategy. The Board and I welcome Stew Wheeler to our management team and have full confidence that under his leadership this part of our strategy will be well executed."

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Further information:

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