



BROO Limited

ACN 060 793 099

20 Langtree Avenue,
Mildura, Victoria 3500
Australia

Telephone (03) 5022 2988
pub@mildurabrewery.com.au
www.broo.com.au



31 July 2020

Broo Ltd Quarterly Market Update

Broo Ltd (ASX: BEE) (“Broo” or “Company”) is pleased to advise the market on the Company’s Quarterly Financial Report, and provide a Quarterly Market Update.

COVID-19 Commentary & Operations Update

Broo will continue its operations, albeit on a scaled down basis until the COVID-19 restrictions are relaxed over coming months and continue to meet its business objectives where possible. Broo has experienced a drop in trading activity during the June quarter due to the effects of COVID-19, however, the Company is actively managing a very difficult economic environment and is seeking out new opportunities with potential strategic partners.

The Company owned and operated iconic Mildura Brewery continues to produce beer under its existing sales arrangements and the Company remains focused on increasing domestic sales and distribution. The Company’s hospitality focused businesses Sorrento Brewhouse and Mildura Pub have closed temporarily due to current COVID-19 restrictions and measures are already in place to reduce costs of these businesses while restrictions remain in place.

Accordingly, based on a range of mitigating circumstances, the Company is again forecasting a lesser level of trading cash flow for the quarter ending September 2020.

Cash Flow Management

Broo is actively managing its cash flow and has implemented several positive steps to mitigate the economic effect of the Government imposed restrictions to control the spread of COVID-19.

The Company has taken the following steps:

- Reduced staffing numbers at its hospitality venues and where appropriate, has applied for the Job Keeper allowance;
- Reduced other overhead costs within the organisation wherever possible;
- The Company is actively reviewing, in conjunction with its corporate advisor, assets that may be surplus to the core activity of beer production and sales;
- Lastly, the Company is assessing a range of longer-term sources of capital of a strategic nature that can assist it to expand its operations.

No payments were made to related parties during the June quarter.

About Broo Ltd

Broo Ltd is a unique Australian beer company that distinguishes itself from competitors through strong brands, company ethos, unique marketing platform and quality beer products. The Company is primarily focused on the production, marketing and sale of two beer products, Broo Premium Lager and Australia Draught.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

BROO LTD

ABN

78 060 793 099

Quarter ended ("current quarter")

30 JUNE 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 420 | 2,629 |
| 1.2 Payments for | | |
| (a) research and development | | |
| (b) product manufacturing and operating costs | (232) | (1,004) |
| (c) advertising and marketing | | (31) |
| (d) leased assets | | |
| (e) staff costs | (72) | (855) |
| (f) administration and corporate costs | (341) | (2,204) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | | |
| 1.5 Interest and other costs of finance paid | (21) | (372) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | 109 | 109 |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (137) | (1,728) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | | |
| (d) investments | | |
| (e) intellectual property | | (2) |
| (f) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|-------------------------------------|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | | (2) |

| | | | |
|-------------|---|------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 200 | 700 |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | | (44) |
| 3.5 | Proceeds from borrowings | 24 | 2,220 |
| 3.6 | Repayment of borrowings | (46) | (1,496) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | 178 | 1,380 |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 35 | 426 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (137) | (1,728) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | | (2) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|--|----------------------------|-------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 178 | 1,380 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 76 | 76 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances | 76 | 35 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 76 | 35 |

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

| | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---------------------------------------|---|--|
| 7.1 Loan facilities | 2,238 | 2,238 |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (please specify) | | |
| 7.4 Total financing facilities | 2,238 | 2,238 |

7.5 Unused financing facilities available at quarter end

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (137) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 76 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 76 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 0.55 |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Broo is actively managing its cash flow and has instigated several steps to mitigate the economic effect of the government imposed restrictions to control the spread of COVID-19.

The company has:

- reduced staffing numbers at its hospitality venues and where appropriate, has applied for the Job Keeper allowance;
- reduced other overhead costs within the organisation wherever possible;
- the company is working with its corporate advisor to secure an increase in short term standby working capital facilities to meet any additional costs during the quarter ending 30 September 2020;
- the company is actively reviewing, in conjunction with its corporate advisor, assets that may be surplus to the core activity of beer production and sales;
- the company is assessing a range of longerterm sources of capital of a strategic nature that can assist it to expand its operations.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Broo expects to continue its operations, albeit on a scaled down basis until the COVID-19 restrictions are reduced, and to meet its business objectives. As stated above, the company is actively managing a difficult economic environment and is seeking out new opportunities with potential strategic partners. The Board is satisfied that additional funds can be raised via debt or equity funding as required to continue to fund business operations.

The Company expects that it will continue to have negative operating cash flows in the short term. Negative net operating cash flows have significantly decreased due to closure of the pub operations and due to additional Government Subsidy over the period..

The Board and management carefully monitor the Company's cash flow and are satisfied that additional short-term funding will be secured to continue to fund operating activities. The Board is currently considering various funding options and will update the market accordingly.

The Company confirms that it is in compliance with Listing Rule 3.1 and that there is no further information that should be given to ASX about its financial condition in accordance with that rule.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31/7/20.

Authorised by: Kent Grogan - CEO
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.