



30 October 2020

ASX Market Update



Australia

In August 2020, Broo signed a contract brewing agreement with CUB Pty Ltd ("CUB") for the production of Broo Premium Lager and Australia Draught.

Broo has placed the first order with CUB under the new contract brewing agreement. This initial production will be released to market in December 2020.

CUB is a national leader in the commercial production and supply of beer in Australia, operating industry leading breweries in Victoria, Queensland and Tasmania.

The CUB Agreement provides the Company with increased production and supply capacity for its Broo Premium Lager and Australia Draught products and enables Broo to meet and capitalise on market demand for those brands through its various retail distribution channels.

During the Term, CUB will produce and package Broo Premium Lager and Australia Draught in accordance with Broo's product specifications, including technical brewing recipes and packaging artwork. CUB is an industry innovation leader embracing best practice for quality assurance and environmentally friendly and sustainable brewing technology.

CUB production and supply of Broo Premium Lager and Australia Draught enables the Company to fulfill existing sales demand from our current distribution networks and accelerate Broo's plans for rapid sales expansion.

The Company owned and operated iconic Mildura Brewery has shifted focus to increasing production of premium craft offerings and on premise keg production.

During the quarter \$904,000 was spent on product manufacturing and operating costs.

Covid-19 Impacts

A challenging trading environment exists due to the COVID-19 pandemic restrictions imposed by both the state and federal governments. The Company supports these measures and closed hospitality venues in line with government initiatives. Measures have also been introduced to production and wholesale operations ensuring compliance with business COVID safe plans and continuance of trade.

COVID-19 restrictions have significantly impacted the Company's hospitality operations. The Company is now working towards reopening its hospitality business following the easing of restrictions.

The Board is confident in the strategies implemented to see the Company in a stronger position as we emerge from COVID-19 complexities.





Capital Raising

In August 2020 the Company successfully completed a private placement raising \$1,254,945.86 (before costs) from sophisticated and professional investors through the issue of 70,274,770 fully paid ordinary shares in the Company (Shares) at \$0.018 per Share and, subject to shareholder approval being obtained at the Company's general meeting, one (1) free attaching option to acquire a Share (Option) exercisable at \$0.03 on or before 31 October 2022 for every two Placement Shares issued under the Placement.

The Company also completed a 1 for 5 non-renounceable pro-rata rights issue at an issue price of \$0.018. The Company received applications from Eligible Shareholders for a total of 122,409,549 ordinary shares at \$0.018 per share and 61,204,775 attaching Options, raising \$2,203,372.24 (before expenses) of which \$1,115,182.24 were received in cash and the remaining balance of \$1,088,190 were satisfied by way of a set off against the debt owed by the Company to its director, Kent Grogan, and/or his associated entities. The Company placed the remaining 33,658,740 ordinary shares at \$0.018 per share and 16,829,373 attaching Options pursuant to the shortfall offer raising a further \$605,857

Broo Brewery - Ballarat

The Company via its wholly owned subsidiary Broo Brewery Pty Ltd (Broo Brewery), is progressing plans to develop and operate a world-class, environmentally sustainable brewing facility, the "World's Greenest Brewery", combining manufacturing, environmental technology and tourism into a unique experience.

This Project will enable the Company to realise opportunities both in national and international markets. Upon completion, the brewery will provide significant production capacity for the Company to produce its own beverage products at large volumes and offer substantial contract production services for third party beverage and retail companies wishing to outsource production of their products.

A further update on the Project will be provided in due course.

Payments to related parties

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

The announcement is authorised for release by the Board of Directors of Broo Limited

Justyn Stedwell
Company Secretary
03 8 395 5446

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 SEPTEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	173	173
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(904)	(904)
(c) advertising and marketing	(1)	(1)
(d) leased assets		
(e) staff costs	(77)	(77)
(f) administration and corporate costs	(372)	(372)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	108	108
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,075)	(1,075)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses	10	10
	(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	10	10

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,032	3,032
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	(133)	(133)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(191)	(191)
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	2,708	2,708

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	63	63
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,075)	(1,075)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	10	10

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,708	2,708
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,706	1,706

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	1,706	63
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)	1,706	63

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
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	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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)	(1,075)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,706
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,706
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.58
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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: The Company forecasts a rise in future cash flows through the easing of Covid-19 restrictions allowing hospitality venues to operate and increased wholesale sales volume.	
8.6.2	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: The Company has raised sufficient funds to facilitate current operations and the manufacture and sale of products produced under the contract manufacturing agreement with CUB. Additional capital can be raised by the Company if required.	

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

Answer: The Company expects to continue its operations and meet its business objectives due to funds raised and a full pre-payment made this quarter to CUB for the initial production order which the Company will take delivery of in December, 2020.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 30/10/20

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.