



29 January 2021



ASX Market Update

Broo Ltd (ASX: BEE) ("Broo" or "Company") is pleased to provide a Quarterly Market Update.

AUSTRALIA

Recent Activities:

- December 2020, Broo receives the first production stock into its warehouse under contract brewing agreement entered into with CUB Pty Ltd ("CUB")
- The Company commenced distribution and sale of the products produced by CUB through the Company's distribution channels and launched various marketing initiatives in connection with its product sales.

The Company's strategy is focused on increased domestic distribution, rapid sales growth, and increased revenue. Initial launch activities are concentrated to QLD followed by rapid expansion into other states.

CUB stand as Australia's largest beer producer. The CUB Agreement provides the Company with scalable production and supply capacity for its beer products and enables Broo to meet and capitalise on market demand for brands.

As part of its sales and distribution strategy, Broo has been working collaboratively with Metcash subsidiary, Australian Liquor Marketers Pty Ltd (ALM) to accelerate the growth of the Company's beer products. ALM is working with Broo to distribute products across its retail and on-premise market, and as part of this the Company has launched a joint sales campaign with ALM across IBA and extended network in Queensland.

ALM is the largest supplier of liquor to independently owned liquor retailers in Australia and the largest broad range liquor wholesaler in Australia. In addition to supplying liquor stores, ALM incorporates a specialist on-premise liquor division that supports bars, clubs, restaurants, and hotels. It also provides a similar supply service in New Zealand via the Tasman Liquor Company. ALM's Independent Brands Australia (IBA) network has approximately 2,700 stores and includes a stable of strong national brands, including Cellarbrations, The Bottle-O, IGA Liquor, Duncans, Thirsty Camel, Big Bargain and Porters Liquor.

As part of its product sales and marketing activities in December 2020, Broo produced its first television commercial which was released in connection with the marketing and promotion of its beer products produced through CUB. This can be viewed via the Company website www.broo.com.au

To further promote sales of the Broo products produced via CUB during the Quarter, in early January 2021 Broo commenced advertising campaigns with Sports Entertainment Network (SEN) and 7 Network across various platforms including Radio, TV and Social Media in QLD.

The Company's Mildura Brewery facility continues to produce beer under its existing sales arrangements with focus on production of premium craft offerings and on-premise keg production.





Broo Brewery – Ballarat

The Company via its wholly owned subsidiary Broo Brewery Pty Ltd (Broo Brewery), continues to progress 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.

Termination of China Distribution Agreement

On 4 January 2021 the Company’s wholly owned subsidiary, Broo Exports Pty Ltd, terminated the Distribution Agreement with Beijing Jihua Information Consultant Ltd (Beijing Jihua) which had granted Beijing Jihua exclusive distribution rights in China of Broo Premium Lager beer products. The Company considers Beijing Jihua is in default of the Distribution Agreement for its failure to pay minimum royalty payments in respect of the first 3 year period of the term. The Company exercised its right of termination after Beijing Jihua failed to remedy its default following notice of default served by the Company in December 2020. The Company is reviewing its legal position in relation to this matter.

Summary of expenditure

The Company confirms it incurred the following expenses associated with operating activities during the quarter:

- (a) product manufacturing and operating costs: \$316,000
- (b) advertising and marketing: \$ 39,000
- (c) staff costs: \$88,000
- (d) administration and corporate costs: \$441,000
- (e) finance costs: \$77,000

Corporate and administration costs include fees to directors. During the quarter \$191,000 was paid to the CEO which includes payment of \$96,000 for accrued balances from previous periods of non-payment. No payments were made to non-executive directors during the quarter.

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

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")

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	269	442
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(218)	(1,122)
(c) advertising and marketing	(37)	(38)
(d) leased assets		
(e) staff costs	(78)	(155)
(f) administration and corporate costs	(823)	(1,195)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(7)	(9)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	134	243
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(760)	(1,834)
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		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	(f) other non-current assets Proceeds from disposal of:		
	(a) entities		
	(b) businesses		10
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets	(1)	(1)
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	(1)	9

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5	2,986
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	(196)	(278)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(172)	(363)
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	(363)	2,345

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,706	63
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(760)	(1,834)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	9

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(362)	2,345
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	583	583

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	583	1,706
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)	583	1,706

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	191
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>		

The payments in 6.1 relate to payment of directors' fees. This amount includes payment of historical accrued balances payable to Kent Grogan the company's CEO.

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	2,185	2,185
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	<p>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.</p> <p>Loan facilities include \$1,950K loan which is secured against the Ballarat property. The loan repayment date has been extended to 2 March 2021. Skyrim is the lender and Interest is payable at 12% per annum.</p> <p>The remainder of the loan facilities are held with the National Australia Bank. This is secured against the Mildura Brewery assets. Interest is payable at 5% per annum and loan maturity date is April 2021.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(760)
8.2	Cash and cash equivalents at quarter end (item 4.6)	583
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)	.77
	<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?	
	<p>Answer: The Company forecasts an increase in future cash flows through the easing of Covid 19 restrictions and increased wholesale sales volume.</p> <p>The Company has beer product stock available for sale (approx.. \$800k in wholesale value) and will generate increased sales revenue from such products sales over the forthcoming quarter.</p> <p>The Company has increased sales and marketing activities which it expects will also facilitate increased product sales in the forthcoming quarter.</p>	

- 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 that have been produced to date under the contract manufacturing agreement with CUB.

The Company has taken steps towards arranging a refinancing (which will provide an extended maturity date) of its existing debt facility of \$1,950k with Skyrim that matures in March 2021.

The Company will also consider equity capital raisings to raise further funds for business operations and growth initiatives, and based on previous capital raisings undertaken the Company considers it reasonable likely that it can successfully raise funds if required. The Company may also consider asset realisations to unlock further capital if such opportunities arise and are on attractive terms for the Company.

- 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 to date and a full pre-payment made this quarter to CUB for the initial production order which the Company took delivery of in December 2020. The Company has substantial stock on hand available for sale and which shall generate operating revenues for the Company over the forthcoming quarter.

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: 29/1/21

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.