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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 13 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.

ASX ANNOUNCEMENT

29 April 2016

Appendix 4C & Operations Update – 3rd Qtr FY16

Gage Roads Brewing Co Ltd (ASX: **GRB**) ("Gage Roads") is pleased to report on the progress of the Company at the end of 31 March 2016.

Year to Date (YTD) FY16 Summary

- YTD carton and keg sales of Gage Roads' proprietary craft beer products up 86% to 263K carton equivalents* in comparison to the previous year-to-date corresponding period ("PYCP")
- Sales of Australian Quality Beverages down 30% over PYCP to 688K carton equivalents*
- Total sales volume down 16% on prior year-to-date comparative period to 950K carton equivalents
- Decline in total sales volume in Q3 2016 expected to be reversed in Q4 2016
- Proprietary craft beer products on track to exceed 300K carton equivalent sales for the full year

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

Sales Results

Sales of Gage Roads' proprietary craft beer products, being the most profitable segment of the Company's sales portfolio, are up 86% when compared with the same period last year ("PYCP") and have contributed to improved profitability over that period.

Sales in Q3 2016 trended lower compared to previous quarters as a result of high customer stock levels at the end of Q2. The Company's proprietary craft beer products are on track to exceed the Company's internal target of 300,000 carton equivalent sales for the full year.

The success of Gage Roads' draught and on-premise strategy has continued with additional tap points secured at key WA venues, contributing to a 155% increase in draught sales of the Company's proprietary brands over the PYCP.

The Company's expanded on-premise distribution builds the Gage Roads brand and establishes an important touch-point for consumers. It is also aligned with the Company's focus on higher-margin products and a continued focus on the improved profitability of the business.

During Q3 the Company also commenced a targeted focus on increased distribution through additional retail channels in WA. Initial results have been positive with retailers showing increased support of Gage Roads' proprietary craft beer range. Strong re-orders and in-store sales rates indicate that the Company's craft beer brands are reaching new consumers through this previously untapped market.

Sales made from the contract brewing division, Australian Quality Beverages (AQB), declined by 30% over the PYCP. Although the market-wide decline in mainstream commercial-style beers contributed to this result, two of the Company's largest volume (but most heavily in decline) contract-brewed brands were discontinued during the quarter. This volume is being replaced in Q4 by new brands with higher ongoing volume expectations.

Continued growth of Gage Roads' proprietary craft beer brands, and the initial production of the new contract-brewed brands in Q4, is expected to reverse the decline in total volumes produced (down 16% YTD over the PYCP) for the full year.

Cash Flow and Balance Sheet

The Company ended the quarter with a cash balance of \$1.8 million. Net operating cash flows were (\$661,000) for the quarter and were a result of lower cash receipts from lower Q3 sales as outlined above.

Investment in the Company's continuous improvement program was reduced to \$97,000 during the quarter.

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

Outlook for Q4 FY16

Over the next three months, the Company expects to:

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

Managing Director John Hoedemaker said:

"During the quarter, our sales drive into the independent liquor trade in WA demonstrated there is a meaningful untapped consumer market that is attracted to our proprietary craft beer brands. We are excited to see Gage Roads' craft beer brands expand into these markets and reach new consumers. We expect our craft range to continue to grow and deliver on our internal target of 300,000 case equivalents for FY16. On a per annum basis we anticipate that figure increasing in FY17.

"Although volumes of our contract brewing division contracted, as expected, it is pleasing to see our strategy to grow our higher-margin proprietary brands, as

well as entry into new markets, is beginning to bear fruit. We expect FY16 to deliver similar total sales volumes as FY15 but at an improved margin.

“The growing consumer demand and awareness of our proprietary craft beer range has given the Company opportunities to seek expanded distribution and sales in other new channels to market.

“Our overarching 5-year goal is to continue to drive higher margin products and increase draught volumes in our sales mix, via access to new markets, an increased focus on sales and marketing, and more opportunities for consumers to engage with the Gage Roads products.

“We are targeting earnings before interest, tax, depreciation and amortisation (EBITDA) of at least \$1 per litre by 2021.”

- 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 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	(9 months) \$A'000
1.1	Receipts from customers	6,593	28,421
1.2	Payments for (a) staff costs	(1,224)	(3,922)
	(b) advertising and marketing	(273)	(518)
	(c) research and development	--	--
	(d) leased assets	--	--
	(e) other working capital	(5,623)	(22,932)
1.3	Dividends received	--	--
1.4	Interest and other items of a similar nature received	--	--
1.5	Interest and other costs of finance paid	(134)	(439)
1.6	Income taxes paid	--	--
1.7	Other	--	--
	Net operating cash flows	(661)	610

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(661)	610
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	(97)	(440)
(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	(97)	(440)
1.14 Total operating and investing cash flows	(758)	170
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	64	121
1.18 Repayment of borrowings	(31)	(123)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
Net financing cash flows	33	(2)
Net increase (decrease) in cash held	(725)	168
1.21 Cash at beginning of quarter/year to date	2,510	1,617
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 Cash at end of quarter	1,785	1,785

+ 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	179
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	9,809	9,722
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

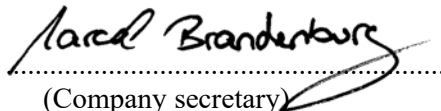
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,785	2,510
4.2	Deposits at call	--	--
4.3	Bank overdraft	--	--
4.4	Other (provide details)	--	--
Total: cash at end of quarter (item 1.23)		1,785	2,510

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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 April 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.