



15 May 2009

Company Announcements Office
Australian Stock Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

WOOLWORTHS TO ACQUIRE 25% OF GAGE ROADS

Highlights

- Woolworths to acquire 25% of the issued capital of Gage Roads for up to \$1.9 million through a private placement.
- Gage Roads to contract brew 350,000 cases of beer per year for Woolworths.
- Steven Greentree, General Manager Woolworths Liquor Group, to join the Gage Roads board as a Non-Executive Director.

Gage Roads Brewing Co Ltd (ASX: GRB) is pleased to announce that it has entered into a subscription agreement with Woolworths Limited (**Woolworths**) under which Woolworths will become a cornerstone investor in the Company.

Under the Subscription Agreement, which is subject to shareholder approval and other conditions, Woolworths will acquire 25% of Gage Roads, a leading Western Australian based craft brewery, through a placement of 76,410,890 fully paid ordinary shares to raise up to \$1.9 million.

The proposed issue price of these shares is payable in two components. The first component of 1.62 cents per share is payable upon the issue of the shares, to raise \$1,237,856. The second component, which is subject to the satisfaction of various financial performance requirements, is 0.88 cents per share, payable upon the satisfaction of those requirements, to raise an additional \$672,415.

Funds raised from the placement will be used for CAPEX and working capital. Please refer to the annexure to this announcement for further details of the terms of the Subscription Agreement.

AUSTRALIA'S CRAFT BREWERY

GAGE ROADS BREWING CO LTD
ABN 22 103 014 320

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Following the placement, Woolworths will also have an appointee on the Gage Roads board with Steven Greentree, General Manager Woolworths Liquor Group becoming a Non-Executive Director.

In addition to the placement, Gage Roads has entered into a supply agreement with Woolworths whereby Gage Roads will contract brew 350,000 cases of beer per year for Woolworths. The Supply Agreement is conditional upon Woolworths acquiring shares in Gage Roads under the Subscription Agreement.

This Supply Agreement provides Gages Roads with the opportunity to substantially grow its current production volume and realise a greater economy of scale.

Gage Roads' Chief Executive Officer Nick Hayler said the Company was delighted to welcome Woolworths as a major shareholder and customer.

"We are very pleased to have attracted the interest and support of such a well recognised company in Woolworths," said Mr Hayler. "This is a win-win situation for all parties."

Mr Hayler said planning had commenced to maximise brewing capacity from the Company's West Australian brewery operations.

A General Meeting (GM) will be held in late June 2009 at which shareholder approval for the placement will be sought. A Notice of Meeting and explanatory materials in relation to the GM to approve the placement are expected to be mailed to shareholders in due course.

-ENDS-

For further information please contact:

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Annexure 1 – Key Terms of Subscription Agreement

The key terms of the Subscription Agreement are as follows:

<p>Issue of Placement Shares</p>	<p>Gage Roads agrees to issue 76,410,890 fully paid ordinary shares (Placement Shares) to Woolworths subject to the terms of the Subscription Agreement.</p>
<p>Conditions Precedent to issue of Placement Shares</p>	<p>The issue of the Placement Shares is conditional upon the following material conditions:</p> <ul style="list-style-type: none"> (a) Gage Roads' shareholders approving the issue of the Placement Shares to Woolworths and the election of Steven Greentree as a Director of Gage Roads; (b) the ASX confirming that certain of the ASX Listing Rules do not apply to the transactions contemplated by the Subscription Agreement and the Supply Agreement, or alternatively, granting a waiver of those Listing Rules to Gage Roads; (c) Gage Roads obtaining an independent expert report concluding that the proposed issue of Placement Shares to Woolworths is fair and reasonable to the shareholders of Gage Roads; and (d) no prescribed occurrence or material adverse change occurring in relation to Gage Roads prior to the completion of the issue of the Placement Shares to Woolworths.
<p>Issue Price of Placement Shares</p>	<p>The issue price of the Placement Shares shall be comprised of two components as follows:</p> <p>The first component issue price is 1.62 cents per Placement Share, and is payable upon the issue of the Placement Shares to raise an initial sum of \$1,237,856.</p> <p>The second component of the issue price is 0.88 cents per Placement Share to raise an additional \$672,415. The second component of the issue price is contingent on the satisfaction by Gage Roads of a tax loss condition relating to the recognition of a deferred tax asset based on carried forward tax losses as at 31 December 2009.</p> <p>If this condition is met, Woolworths will pay the second</p>

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	component of the issue price to Gage Roads within five business days after fulfillment of this condition.
Use of subscription funds	<p>Gage Roads must use the subscription funds for the purposes set out in the Subscription Agreement, which include:</p> <p>(a) the purchase, installation and commissioning of capital equipment (up to \$702,000); and</p> <p>(b) operating expenses, general working capital and other uses (up to \$1,208,856).</p>
Grant of option	<p>Under the Subscription Agreement, Gage Roads has also granted Woolworths an option to acquire 32,600,000 Shares (Option Shares).</p> <p>Woolworths may exercise this option at any time up to the end of the tenth business day following the general meeting. The acquisition of the Option Shares is not subject to the approval of Gage Roads' shareholders.</p> <p>If Woolworths acquires the Option Shares, and then proceeds to acquire the Placement Shares, the number of Placement Shares to be issued to Woolworths will be decreased by 32,600,000. The Option will lapse if the Placement Shares are issued to Woolworths. That is, the maximum number of Gage Roads Shares which Woolworths may acquire pursuant to the Subscription Agreement is still 76,410,890.</p> <p>The issue price of the Option Shares is determined in the same manner as the Placement Shares. The first component of the issue price of the Option Shares is 1.62 cents per Option Share, and is payable upon the issue of the Option Shares to raise an initial sum of \$528,120. The second component of the issue price of the Option Shares is 0.88 cents per Option Share, and is conditional on, and payable after, the satisfaction of the tax loss condition as outlined above, to raise an additional \$286,880.</p>

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