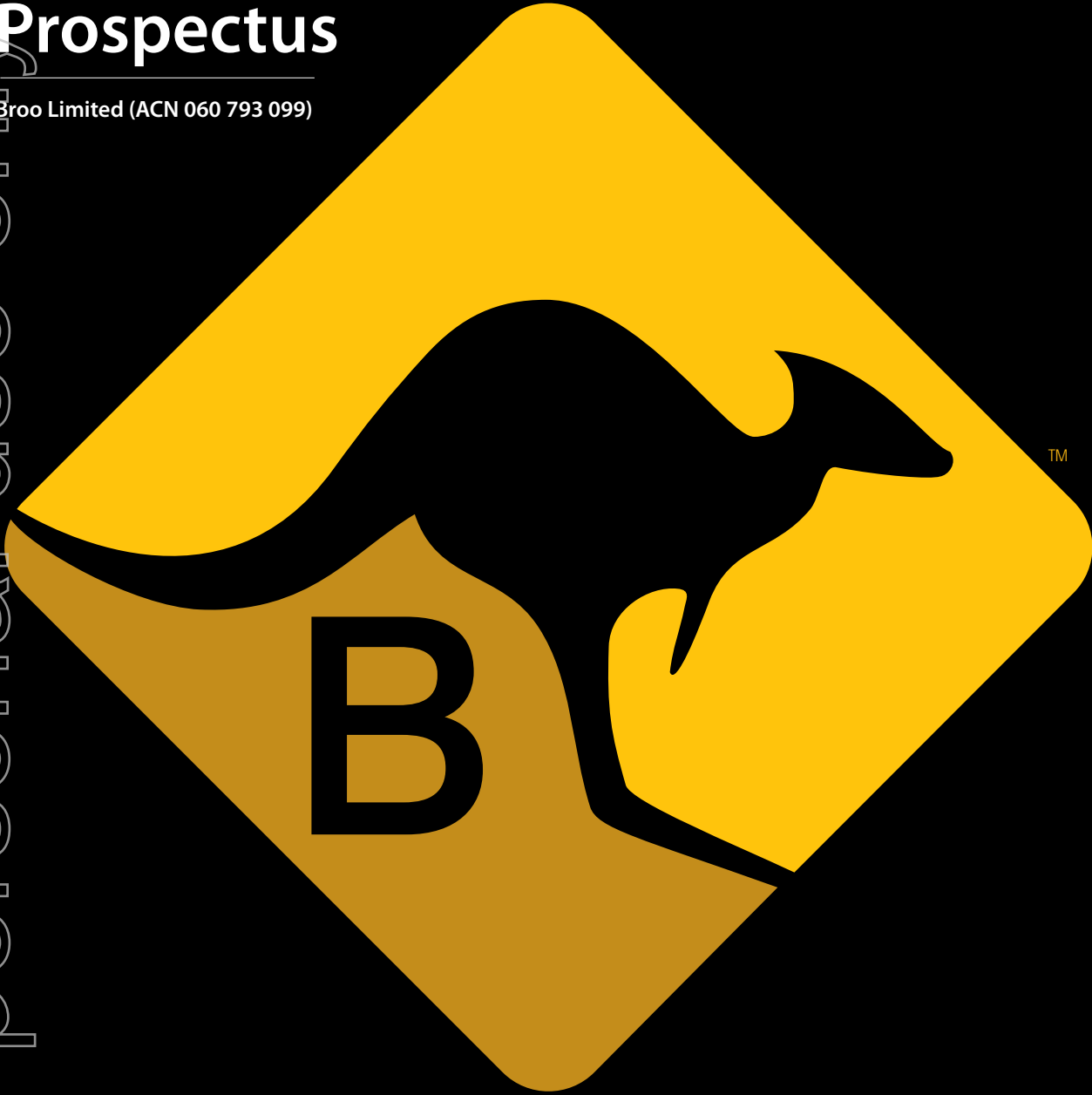




Replacement Prospectus

Broo Limited (ACN 060 793 099)



By this replacement Prospectus, Broo Ltd ('the Company') invites investors to apply for a total of 75,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$15,000,000. The Offer has a minimum subscription of \$10,500,000.

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Broo Ltd (ACN 060 793 099)

REPLACEMENT PROSPECTUS

By this replacement prospectus (Prospectus), Broo Ltd ('the Company') invites investors to apply for a total of 75,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$15,000,000. The Offer has a minimum subscription of \$10,500,000.

The Offer made by this Prospectus is conditional upon ASX confirming that it will admit the Company to Official Quotation, subject to the satisfaction of such terms and conditions prescribed by the ASX Listing Rules, as well as other conditions detailed in this Prospectus.

PRIORITY OFFER

Existing eligible Shareholders of the Company as at the Priority Offer Record Date will be guaranteed an allocation of 10,000 Shares if they submit a Priority Offer application form, which will be available to them with a copy of this Prospectus on the Opening Date. Eligible Shareholders will be notified of the Priority Offer and may apply for any additional Shares using the Priority Offer application form, but will not be guaranteed any allocation over 10,000 Shares.

The Offer and Priority Offer are scheduled to close at 5.00pm (AEST) on 19 September 2016 unless extended or withdrawn. Applications must be received before that time to be valid.

IMPORTANT NOTICE

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. If, after reading this Prospectus, you have any questions about the Offer, you should contact your professional advisers.

There are risks associated with an investment in the Company and the Shares offered under this Prospectus are to be regarded as a speculative investment. Please refer to Section 6 of this Prospectus ('Risk Factors') for the risk factors associated with the Offer.

Lead Manager: **Beer & Co Pty Ltd***

**Beer & Co's wholly owned subsidiary company, Melbourne Venture Securities Pty Ltd (ACN 102 538 394) holds Australian Financial Services Licence No. 224313 and shall provide the services of the Lead Manager in connection with the Offer.*

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IMPORTANT NOTICES

General

This replacement prospectus (**Prospectus**) is dated 23 August 2016 and it replaces the Original Prospectus dated 18 July 2016 relating to the Shares of the Company. A copy of this Prospectus was lodged with ASIC on 23 August 2016. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

The Company will apply to ASX within seven (7) days following the date of issue of this Prospectus for official quotation by ASX of the Shares offered by this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to subscribe for Offer Shares in the Company.

Overview of the material changes from the Original Prospectus

This Prospectus has been issued to provide disclosure in relation to the following matters, which are the material changes from the Original Prospectus:

- inclusion of audited financial information of the Company for the financial year ending 30 June 2016;
- further information about the Company's financial performance and financial outlook (please refer to Item 6 of the Investment Overview on page 22 of this Prospectus);
- further information about the Company's historical financial information, including clarification relating to the restated results contained in Section 7 of the Prospectus ('Financial Information');
- deletion of various images and photographs; and
- clarification in the Use of Funds table at Section 3.8 of the Prospectus that the production costs are fees payable to third party manufacturers of the Products.

Conditional Offer

The Offer is subject to and conditional upon approval of the admission of the Company's Shares to Official Quotation on the ASX.

Expiry Date

No securities will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

Investment Advice

This Prospectus does not take into account your financial circumstances, financial objectives or particular needs (including your financial or taxation issues). Therefore, this Prospectus does not constitute investment advice. You should obtain professional investment advice before subscribing for Offer Shares under this Prospectus.

Additional Copies of Prospectus

Additional copies of this Prospectus are available at the registered office of the Company.

The Corporations Act 2001 (Cth) prohibits any person from passing onto another person an Application Form unless it is attached to or accompanied by the complete and unaltered version of this Prospectus.

Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company Secretary of the Company, Justyn Stedwell, via email at justyn@stedwell.com.au.

A Link to view a copy of this Prospectus can be accessed from the website of the Company at www.brooinvestors.com.au.

If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia. Please note that no document or information included on our website is incorporated by reference into this Prospectus.

Restrictions on Offer

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

Application Forms

Applications for Shares can only be made pursuant to the Application Form attached to and forming part of this Prospectus. The Corporations Act prohibits any person from passing the Application Form to any other person unless it is attached to, or accompanied by, a complete and unaltered version of the Prospectus.

The Application Form contained in this Prospectus contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, the Original Prospectus was subject to an exposure period of seven (7) days from the date of lodgement of the Original Prospectus with ASIC.

The exposure period was extended by ASIC for a further period of seven (7) days, being to 1 August 2016. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period and receive no preference.

Privacy

If you apply for Shares you will provide personal information to the Company and the Share Registry. This enables your Application to be assessed, you to be registered as the holder of Shares, to enter you in the Company's register of Shareholders and to enable the Company to contact you. The Company may from time to time be required to disclose your personal information to the Australian Taxation Office, other government agencies or as required by law. The Company and the Share Registry may disclose your personal information to its agents and service providers as authorised by the Privacy Act 1988 (Cth) or for purposes required by the Listing Rules or Corporations Act. You may access your personal information by contacting the Share Registry and may request corrections to such personal information.

Forward looking statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and future events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way implicitly portrayed within this Prospectus. These risks, uncertainties and other factors include, but are not limited to, the matters described in Section 6 ('Risk Factors'). The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved. Except to the extent required by law, the Company has no intention to update or review forward looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

This Prospectus, including the industry overview in Section 4, uses market data, industry forecasts and projections. The Company has based some of this information on market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 6.

Forecast Financial Information

No forecast financial information is included in this Prospectus, as the Company does not have a significant operating history. Given the early stages of the Company's operation, there are uncertainties associated with forecasting future revenue, and the Directors believe that reliable projections and forecasts cannot be prepared. Given these uncertainties, no forecasts have been included in this Prospectus.

Statements of Past Performance

This Prospectus includes information regarding the past performance of the Business. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Definitions

Please refer to the Glossary in Section 12 of this Prospectus for terms and abbreviations used in parts of this Prospectus.

Miscellaneous

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise. Items displayed in photographs in this Prospectus are not necessarily assets owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of Shares offered under this Prospectus.

Lead Manager

Beer & Co's wholly owned subsidiary company, Melbourne Venture Securities Pty Ltd (ACN 102 538 394) holds Australian Financial Services Licence No. 224313 and shall provide the services of the Lead Manager in connection with the Offer.

Beer & Co has acted as Lead Manager to the Offer. The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus that is based on any statement made by it or by any of its affiliates, officers or employees. To the maximum extent permitted by law, the Lead Manager and its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to its name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Corporate Directory



Existing Directors of the Company

Kent Grogan (Chairman and Executive Director)

Mathew Boyes (Non-Executive Director)

Geoff De Graaff (Non- Executive Director)

Proposed Director of the Company*

Phillip Grundy (Non-Executive Director)

** To be appointed as a Director upon the successful completion of the Offer*

Company Secretary

Justyn Stedwell

Registered Office

Suite 4, Level 1

119-125 Ocean Beach Road

SORRENTO VIC 3943

Principal Office

Suite 4, Level 1

119-125 Ocean Beach Road

SORRENTO VIC 3943

Proposed ASX Code:

BEE

Contact Details

Telephone: +61 3 5984 2222

Facsimile: +61 3 5984 2122

E-mail: enquiries@broo.com.au

Web page: www.broo.com.au

Solicitors to the Company

Pointon Partners Lawyers

Level 14, 565 Bourke Street

MELBOURNE VIC 3000

Company Auditors

ShineWing Australia

Level 10, 530 Collins St

MELBOURNE VIC 3000

Investigating Accountants

ShineWing Australia Corporate Finance Pty Ltd

Level 10, 530 Collins St

MELBOURNE VIC 3000

Share Registry

Computershare Investor

Services Pty Limited

Yarra Falls, 452 Johnston Street

Abbotsford VIC 3067

Lead Manager

Beer & Co Pty Ltd

Suite 4, Level 2, 11-19 Bank Place

MELBOURNE VIC 3000

Letter from the Board

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Letter from the Board

Dear Investor,

Welcome to the Prospectus of Broo Ltd (**Company**).

On behalf of the Board of the Company, it is my pleasure to offer you the opportunity to become a shareholder in this exciting business.

We are striving to build a unique Australian beer company that distinguishes itself from our competitors through our strong brands, company ethos, unique marketing platform and quality beer products.

The Company is now seeking to raise up to \$15,000,000 through the issue of 75,000,000 shares at an issue price of \$0.20 per share (**Maximum Subscription**), with a Minimum Subscription of \$10,500,000.

Australian Operations

The Company is currently focused on the production, marketing and sale of two beer products. The Company's Broo Premium Lager brand was launched in September 2009, while the Company's subsidiary, Australia Draught Pty Ltd (**Australia Draught**) launched the Australia Draught Beer brand in 2014 as a pilot product under a limited retail release.

The Company has strategically positioned its brands and product taste profiles as a traditional but premium independent offering in the mainstream beer market. The mainstream beer market (as opposed to the craft beer market) accounts for more than 90% of domestic beer consumption in Australia.

At the date of this Prospectus, Broo Premium Lager is stocked in a range of independently owned outlets, including those operating under banners such as Thirsty Camel, Bottlemart, Cellarbrations, Bottle-o, Foodworks and Independent Grocers of Australia, liquor retailers, and a range of independent hotels and bottle shops.

Australia Draught Beer has only been distributed to selected independent outlets during its initial pilot phase, enabling Australia Draught to more easily track purchase data and assess the commercial and market viability of the brand. The sales of Australia Draught Beer at outlets to which the product has been distributed during this pilot phase have demonstrated sales growth and provide an indication of the brand's potential to compete with Australia's well-established beer brands. Therefore, following the completion of the Offer, the Company intends to increase production, marketing and advertising of Australia Draught Beer in Australia with the aim of increasing domestic sales and market penetration of this product.

As at the date of this Prospectus, the Company is currently producing Broo Premium Lager and Australia Draught Beer products (**Products**) through Icon Brewing Company Pty Ltd (**Icon**) a third party contract brewing company based in New South Wales, Australia.

Following successful completion of the Offer, the Company anticipates that it will apply a portion of funds towards increasing production through Icon, facilitating increased distribution and sales of the Products in Australia.

In addition, following the completion of the Offer, the Company will also look to identify suitable equipment to purchase or lease in order to establish its own brewing facility in Australia. If suitable equipment becomes available to purchase or lease, then the Company would look to establish brewing operations at a site that would be leased by the Company. Importantly, such purchase or lease will enable the Company to develop independent brewing capacity in relation to the Products.

China Expansion

China is the largest beer industry in the world by volume of beer consumed. The Company has now entered into agreements to undertake production and distribution of Broo Premium Lager within China. China has seen significant increases in the demand for, and consumption of, international alcoholic beverage brands thereby creating a vast opportunity for the Company to capitalise on its uniquely Australian brand by expanding into the Chinese market.

Production of the Company's Products in China

The Company has entered into a beer supply and packaging agreement (**China Supply Agreement**) with Jinxing Beer Group Co Ltd (**Jinxing**), a major brewer incorporated in China which produces and packages alcoholic beverages. Pursuant to the China Supply Agreement, Jinxing has agreed to brew and package Broo Premium Lager in China for the Company.

Founded in 1982, Jinxing has an annual production capacity of 2 million tonnes of beer (equivalent to approximately 200 million cases of beer per annum), employs 6,000 staff, and has won numerous awards for its contribution to China's national beverage industry. This relationship will enable the Company to capitalise on the efficiencies of this large scale brewery and the ability to produce a large volume of beer products if required in order to meet demand for Broo Premium Lager in China.

Distribution of the Company's Products in China

The Company has also entered into a distribution agreement with Henan Liquorstore Commercial Chain Management Co Ltd (**Henan Liquor**), a company incorporated in China which has a large distribution network that includes its own retail outlets. Pursuant to the distribution agreement with Henan Liquor (**China Distribution Agreement**), Henan Liquor has been appointed as the Company's non-exclusive distributor for Broo Premium Lager in China.

Henan Liquor decided to expand on their traditional distribution channels and founded a chain of alcohol store outlets in Henan province and Beijing knowns as "Liquor Easy". There are now approximately 260 Liquor Easy outlets located in Henan province and Beijing.

As at the date of this Prospectus, production and distribution of Broo Premium Lager has not yet commenced in China. However, the Company intends to allocate a portion of funds raised from the Offer towards commencement of production and distribution of Broo Premium Lager in China by Jinxing and Henan Liquor respectively. Please refer to Section 2 ('Company Overview') and Section 9 ('Material Contracts') for further information.

International Expansion

The Company is continuing to receive interest from international beverage distributors located in the USA, Asia, and Europe. Discussions will continue in order to evaluate these commercial opportunities.

Brand Development

The Company has secured registered trade marks for the Broo Premium Lager and Australia Draught Beer brands in Australia and internationally.

The Company has also developed two other brands which it has not yet commercially produced or released to market, being the "Kakadu" beer brand, and the "H-Broo-O" water brand. The Company has registered trade marks for these brands but has not, at this stage, brought these brands to market. The Company may seek to commercially develop these brands and bring them to market in the future, or otherwise seek to commercially exploit these brands.

Please refer to section 2.6 of the Prospectus for further information in relation to the Company's trade mark portfolio.

Listing on ASX:

The Company is seeking to list on the ASX for the following key reasons:

- to provide the Company with further funding to pursue its commercial objectives in Australia, including:
 - the increased production, distribution and sale of Broo Premium Lager in the Australian market;
 - the increased production, distribution and sale of Australia Draught Beer in the Australian market; and
 - if a suitable and commercially attractive opportunity arises, purchasing or leasing equipment to establish its own brewing facility at a leased site;
- to enable the Company to expand into the Chinese market, by providing the funding necessary to enable production, packaging, marketing and distribution of Broo Premium Lager in China;
- to provide the Company with greater access to a liquid capital market which will enable the Company to pursue the growth and expansion of the Business, and to provide the Company's shareholders with liquidity for their shareholdings; and
- to be part of an internationally recognised stock exchange with a strong corporate governance environment that the Company believes will enhance and facilitate greater commercial opportunities for the Business and provide a platform for growth.

This Prospectus contains detailed information about the Company, the Business and the risks of participating in a speculative investment of this nature. The Board recommends that investors read this Prospectus carefully and in its entirety before making an investment decision.

The Offer is conditional on the Minimum Subscription being raised and approval from the ASX for the Admission.

On behalf of the Board, I look forward to welcoming you as a Shareholder of the Company.

Yours faithfully



Mr Kent Grogan
Chairman



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1. Investment overview

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1. Investment overview

1.1 Purpose of the Prospectus

The purpose of this Prospectus is to:

- (a) facilitate the Company's admission to the Official List of the ASX and the listing of the Shares offered under this Prospectus; and
- (b) to raise up to \$15,000,000 pursuant to the Offer and Priority Offer in order to assist the Company in meeting its commercial and development objectives, which include:
 - providing the Company with further funding to pursue its commercial objectives in Australia, including the increased production, distribution and sale of Broo Premium Lager in Australia and increasing production, distribution and sale of Australia Draught Beer;
 - if a suitable and commercially attractive opportunity arises, providing funding for the lease or purchase of brewing plant and equipment to be installed at Australian premises to be identified and leased by the Company to provide the Company with independent brewing capacity;
 - providing the Company with funding to enable production, packaging and distribution of Broo Premium Lager in China;
 - providing funds for the Company's administration and overhead costs; and
 - paying the costs and expenses associated with the Offer.

1.2 Key Dates*

Original Prospectus lodged with ASIC	18 July 2016
Prospectus lodged with ASIC	23 August 2016
Priority Offer Record Date	23 August 2016
Prospectus released to market**	23 August 2016
Prospectus offer closes	19 September 2016
Expected allotment date of Shares	26 September 2016
Admission of Company to ASX	3 October 2016

*Please note that the dates set out in the above timetable may be varied in accordance with the Corporations Act, and, where required, in consultation with ASX. These dates are indicative only and are subject to change. The Company reserves the right to vary the dates without prior notice.

**The Company may elect to make available a certain percentage of the Shares to ASX's Bookbuild Facility. If the Company elects to proceed with a Bookbuild, information about the key dates for the Bookbuild, including opening and closing dates, will be announced to the market under the Company's ASX code, BEE. Please refer to section 3.20 of this Prospectus for more information about the use of a Bookbuild Facility.

1.3 Key Information in relation to the Company and the Offer

The following is a summary only and is not intended to be comprehensive. Prospective investors should read the full text of this Prospectus and if you are uncertain about any matter you should consult your investment adviser before making an investment decision.

Item	Summary	Further Information
1. Company		
Who is the issuer of this Prospectus?	Broo Ltd (ACN 060 793 099)	Section 2
What does the Company do?	<p>Broo Ltd is an unlisted Australian public company.</p> <p>The Company is currently focused on the production, distribution and sale of the Products in Australia.</p> <p>The Company has executed the China Supply Agreement and China Distribution Agreement, for the brewing, distribution and sale of Broo Premium Lager in China. The Company intends to commence such activities in China following completion of the Offer and listing on the ASX.</p>	Section 2, 4
Business ownership structure	<p>Australia:</p> <p>The Company has two subsidiaries incorporated in Australia, being:</p> <ul style="list-style-type: none"> • Australia Draught Pty Ltd (ACN 165 148 130) (Australia Draught), which sells Australia Draught Beer; and • Broo Exports Pty Ltd (ACN 157 726 924) (Broo Exports) which is currently dormant and not trading. However, the Company anticipates that it may use Broo Exports in the future as a vehicle to enter into distribution arrangements for the Products to overseas markets, including export to international markets of the Products produced in Australia. <p>International:</p> <p>The Company wholly owns Broo (HK) Limited (HKCo), a company incorporated in Hong Kong.</p>	Section 2

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Item	Summary	Further Information
Capital structure of the Company as at the date of this Prospectus	<p>Following completion of the Offer, it is intended that a subsidiary of HKCo will be established as a wholly foreign owned enterprise in China known as Broo China Ltd (ChinaCo). ChinaCo will conduct the sales and marketing activities for Broo Premium Lager in China.</p> <p><i>For more information about the Business and corporate ownership structure of the Company, please refer to section 2.1 ('Company Background') and 2.2 ('Corporate Structure') of this Prospectus.</i></p> <p>There are 555,518,040 ordinary shares currently on issue in the Company.</p> <p>The Company is offering 75,000,000 Shares under this Prospectus which equates to 11.89% of the issued share capital of the Company in the event that the Offer is fully subscribed.</p>	Section 2
2. Purpose of this prospectus		
Purpose of Prospectus	<p>The purpose of this Prospectus is to:</p> <p>(a) facilitate the Company's application for admission to the Official List of the ASX; and</p> <p>(b) to raise up to \$15,000,000 pursuant to the Offer.</p>	Section 3
3. Business model		
What will be the Company's principal activities after Admission?	<p>Following the successful Admission, the Company shall focus on:</p> <p>(a) increasing production, distribution and sales of the Products in Australia;</p> <p>(b) increasing promotion and marketing activities for the Products in Australia;</p> <p>(c) if a suitable and commercially attractive opportunity arises, purchasing or leasing brewing equipment, and identifying a suitable leasehold site, to enable the Company to establish its own brewing facility;</p>	Section 2

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Item	Summary	Further Information
<p>How will the Company generate income?</p>	<p>(d) engaging Jinxing to undertake production of Broo Premium Lager in China pursuant to the China Supply Agreement;</p> <p>(e) effecting sales of products produced in China by Jinxing, through the China Distribution Agreement with Henan Liquor and growing the distribution network of Broo Premium Lager in China; and</p> <p>(f) launching marketing and promotional initiatives for Broo Premium Lager in China, to support the products being brought to market in China by Henan Liquor pursuant to the China Distribution Agreement.</p> <p>The Company's income will be derived from sales of the Products in Australia and China, and in any subsequent international markets which the Company or its subsidiaries may expand into or export the Products to (if such opportunities arise).</p>	<p>Section 2</p>
<p>What are the key dependencies of the Company's business model?</p>	<p>Key dependencies of the business model outlined above include:</p> <ul style="list-style-type: none"> • the Company's ability to ensure continuous production of the Products in Australia and to ensure that the Products produced meet Australian quality standards, and are produced in accordance with the Company's specifications; • the Company's ability to successfully expand the manufacture of Australia Draught Beer in Australia from small-batch production and distribution on a pilot / trial basis to production and distribution in larger commercial quantities, and to ensure ongoing consumer demand for Australia Draught Beer in order to meet increased product supply following such increase of production; • the Company's ability to ensure continuous production of Broo Premium Lager in China pursuant to the China Supply Agreement, and to ensure that Broo Premium Lager produced under the China Supply Agreement meets Chinese quality standards, and is produced in accordance with the Company's specifications; 	<p>Section 2</p>

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Item	Summary	Further Information
	<ul style="list-style-type: none"> • successful distribution of Broo Premium Lager in China pursuant to the China Distribution Agreement, and there being sufficient demand for Broo Premium Lager in China; • counterparty performance under the contractual arrangements between the Company and counterparties, such as Henan Liquor and Jinxing in China and third party suppliers in Australia; • the Company having an ability to compete with large and well-established beer companies in Australia and China; • any necessary regulatory approvals and licences in Australia and China being secured and maintained; • there being market demand for the Products in Australia and China, and such demand growing over time; • consumer uptake of the Products and expansion of the Company's market presence in Australia and China, • retention of Executive Chairman and founder of the Company, Kent Grogan, and the Company's ability to attract and retain employees and key management personnel with appropriate technical qualifications; • changes in Australian and Chinese regional or national consumer confidence, consumer preferences and spending patterns, including regional or local economic conditions; • foreign exchange fluctuations. 	
4. Key risks		
Key risks of an investment in the Company	The income able to be achieved by the Company, the value of its assets and the market price of its securities on the ASX may be adversely affected by a number of factors, including risks outside the control of management.	Sections 6 and 9

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Item	Summary	Further Information
	<p>These risks include:</p> <p>Australian Manufacturing and Supply Risks: There are risks associated with the Company's supply and manufacturing model in Australia that may affect the performance of the Company, including in particular, reliance on third party contract brewers for the manufacture and supply of the Products. The Company does not currently own or lease its own brewing facility, and its current reliance on a third party brewer, leaves it vulnerable to supply interruptions, pricing variations and any potential failure by third party brewers to comply with quality standards or product specifications;</p> <p>China Manufacturing and Distribution Risks: There are risks associated with the Company's supply and distribution model in China that may affect the performance of the Company, including in particular, the Company's reliance on Jinxing and Henan Liquor to produce and distribute Broo Premium Lager in China respectively. If Jinxing and Henan Liquor fail to perform their contractual obligations under the China Supply Agreement and China Distribution Agreement, the Company's financial performance is likely to be adversely affected. In addition, there may be difficulties in enforcing contracts in jurisdictions other than Australia. There may also be regulatory or practical considerations that frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties.</p> <p>Consumer Demand for the Company's Products: There needs to be sufficient demand, and continuing ongoing demand, for the Products in order for the Company to become profitable. There is no guarantee that there will be sufficient consumer demand for the Products in Australia and China in order to make the Company profitable.</p> <p>Political and Legal Risk: Due to uncertainties in the Chinese political and legal environment, the Company may be exposed to political and legal risks, adversely affecting the viability of its operations in China (once commenced) and adversely affecting the distribution and sale of Broo Premium Lager in China.</p>	

Item	Summary	Further Information
	<p>Competition Risk: There are a number of well-established Australian and international brands and products which will be competing with the Products and their respective brands in the Australian and international markets in which the Company may seek to sell the Products. Many of the Company's established competitors in the Australian and Chinese beer markets are significantly larger enterprises than the Company and enjoy greater financial resources and access to capital which provide them with a competitive advantage over the Company.</p> <p>Key Personnel: The Company is heavily reliant on key personnel. Loss of key personnel could cause significant disruption to the Company's activities and development.</p> <p>Changes in Economic Conditions: The Company's entitlement to revenues generated from the sale of the Products in Australia and China may be negatively influenced by changes in regional or local economic variables and consumer confidence in those regions. Unemployment rates, levels of personal disposable income and regional or local economic conditions may adversely affect consumer spending, decreasing demand for the Products.</p> <p>Access to Capital Markets: The Company may not be able to maintain access to capital markets in order to fund unforeseen expenditure or to undertake further development of the Company's product range.</p> <p>Concentration of Shareholding: Groges Holdings Pty Ltd (ACN 109 818 000), a company wholly owned by Kent Grogan, currently holds 412,425,000 Shares, and Kent Grogan also holds a further 1,000,000 Shares in his personal capacity.</p> <p>Kent Grogan therefore has a relevant interest in 413,425,000 Shares, constituting 65.57% of the Company following completion of the Offer (assuming the Maximum Subscription is raised).</p> <p>In addition, Kent Grogan has a relevant interest in 41,342,500 Options in the Company.</p>	

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Item	Summary	Further Information
	<p>Through his own shareholding in the Company and his interest in Groges Holdings Pty Ltd, Kent Grogan is in a position to exert considerable influence over the outcome of matters relating to the Company, including Board composition and decisions. While the interests of Kent Grogan and other shareholders in the Company are likely to be consistent, there may be instances where such interests diverge.</p> <p><i>Please refer to section 6 for more information about the risks associated with an investment in the Company.</i></p>	
5. Directors and key management personnel		
Directors	<p>The existing directors of the Company are:</p> <ul style="list-style-type: none"> • Kent Grogan (Chairman and Executive Director); • Mathew Boyes (Non-Executive Director); and • Geoff De Graaff (Non-Executive Director). <p>Upon the successful completion of the Offer, the Company intends to appoint Phillip Grundy as a Non-Executive Director of the Company.</p> <p><i>Please refer to Section 5.1 for profiles of each director and the Proposed Director.</i></p> <p>Details of the security holdings of each Director are set out in Section 5.4.</p>	Section 5
Key Personnel	<p>Denis Coldebella is the Company's head brewer, and is in charge of overseeing the brewing of the Products in Australia and overseas.</p> <p><i>Please refer to section 5.2 for the profile of Denis Coldebella.</i></p>	Section 5
Company Secretary	<p>Justyn Stedwell is the Company Secretary.</p> <p><i>Please refer to section 5.3 for Mr Stedwell's profile.</i></p>	Section 5

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Item	Summary	Further Information
6. Financial information		
Are there any forecasts of future earnings?	There are no forecasts of future earnings of the Company provided in this Prospectus.	Section 2
Will the Company have sufficient funds for its activities?	In the Board's opinion, upon the successful completion of the Offer, the Company will have sufficient funds to pursue its activities for a further two (2) years.	Section 3.8
What is the financial outlook for the Company?	<p>Investors should be aware that the Company is in its development and expansion phase and has, for the last 3 financial years, sustained significant losses which related to the overhead, administrative and financing costs commonly incurred from the early operation of a recently established business and during the continued development and expansion of the business, and had not achieved profitability on an annual or half-yearly basis.</p> <p>Following successful completion of the Offer, the Company is aiming to become profitable through:</p> <ul style="list-style-type: none"> • increasing sales of the Products in Australia via the increased production, distribution and marketing of Australia Draught Beer in Australia; • marketing and promotion of Broo Premium Lager in order to increase sales of this product in Australia; and • the launch of Broo Premium Lager in China. 	Section 2, 6, 7 and 9

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Item	Summary	Further Information
<p>What is the Company's dividend policy?</p>	<p>Whilst the Company will endeavour to achieve profitability in the future, the ongoing financial performance of the Company is subject to a number of risks, including the possibility that the Products (or any manufacturer of any batch of the Products) may be found to be unsafe, attract insufficient consumer demand, be subject to onerous regulatory or legislative schemes, be subject to manufacturing, supply or distribution problems, be overtaken by more popular competitor products or be unable to compete effectively with other beverage companies that are larger and have greater financial capacity and resources.</p> <p>Additionally, the development, production and distribution of alcoholic and non-alcoholic beverages is subject to an inherent risk of failure, which may also affect the financial outlook of the Company.</p> <p><i>Please refer to Section 7 of this Prospectus for more information in relation to the financial position of the Company.</i></p> <p>The Company does not currently have a dividend policy. While the Company may elect to enact a dividend policy in the future, there is no guarantee that dividends will be distributed under such policy.</p> <p>Prior to enactment of a formal dividend policy, the payment of dividends will be at the discretion of the Board.</p> <p>The Company has not previously paid dividends. The payment of any future dividends is contingent on the Company's commercial activities being successful and the Company achieving profits surplus to its cash requirements at the relevant time.</p>	
7. Offer		
<p>What is being offered?</p>	<p>This Prospectus invites investors to apply for a total of up to 75,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$15,000,000.</p> <p>The Minimum Subscription condition under the Offer is \$10,500,000.</p> <p>The Offer will include:</p>	<p>Section 3</p>

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Item	Summary	Further Information
<p>What will the Company's capital structure look like after the Offer?</p>	<p>(a) a Priority Offer to existing Shareholders of the Company as at the Priority Offer Record Date who are in Australia or otherwise capable of accepting the Priority Offer; and</p> <p>(b) a General Offer, which will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus.</p> <p>The Offer is not underwritten.</p> <p>As at the date of this Prospectus, the Company has 555,518,040 Shares on issue.</p> <p>Assuming that \$15,000,000 is raised under the Offer, following completion of the Offer, the Company is expected to have a maximum of 630,518,040 Shares on issue. In this circumstance, 75,000,000 Shares (11.89% of the Company's share capital) will be held by investors under the Offer.</p> <p>Assuming that the Maximum Subscription is raised under the Offer:</p> <p>(a) Kent Grogan (Chairman and Executive Director) and his entity, Groges Holdings Pty Ltd will hold 413,425,000 Shares (65.57%); and</p> <p>(b) a further 50,753,140 Shares (8.04%) will be held by De Graaff Holdings Pty Ltd, a company controlled by Geoff De Graaff, a non-executive director of the Company.</p> <p>As at the date of this Prospectus, there are 60,342,500 Options on issue in the Company. Each Option is exercisable at \$0.30 and expires 4 years from the date of issue, being 4 July 2020.</p> <p><i>For a summary of the material rights and liabilities attaching to the Options, please refer to Section 3.10.</i></p> <p><i>Please refer to Section 3.7 for further information in relation to the capital structure of the Company.</i></p>	<p>Section 2 and 3.</p>
<p>Terms of Shares issued under the Offer</p>	<p>A summary of the material rights and liabilities attaching to the Shares issued under the Offer is set out in Section 3.9.</p>	<p>Section 3.</p>

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Item	Summary	Further Information
Are there any restrictions on securities?	<p>No Shares issued under the Offer will be subject to escrow.</p> <p>However, it is anticipated that the Shares and Options held by Groges Holdings Pty Ltd, a company associated with Kent Grogan, and De Graaff Holdings Pty Ltd, a company associated with Geoff De Graaff, will be subject to an escrow period of 24 months from the date of quotation of Shares on the ASX.</p> <p>The Board anticipates that 1,045,000 Shares held by non-related party seed shareholders in the Company who have subscribed for Shares prior to the date of this Prospectus will also be escrowed.</p> <p>The Company anticipates that escrow restrictions will apply to the following total number of Shares:</p> <ul style="list-style-type: none"> • 470,252,070 Shares escrowed for 24 months from the date of quotation of Shares on the ASX • 1,045,000 Shares held by non-related party seed investors to be escrowed for 12 months from the date of such shares being issued to the investors (being a date within 12 months prior to the listing of the Company). 	Section 3
Quotation	The Company will apply to the ASX for quotation of all Shares issued under the Offer as required under the Corporations Act.	Section 3
Key dates of the Offer	Please refer to the indicative timetable in Section 1.2 for key dates of the Offer.	Section 1
Is there a minimum investment amount under the Offer?	Applications for Shares under this Offer must be for a minimum of 10,000 Shares.	Section 3
Are there any conditions to the Offers?	<p>The Offer is conditional on:</p> <ul style="list-style-type: none"> • The Company being granted in principle approval to list on the ASX; and • The Company raising the Minimum Subscription under the Offer. <p>If any of these conditions are not met, the Offer will not proceed.</p>	Section 3

Item	Summary	Further Information
8. Use of proceeds		
<p>How will the proceeds of the Offer be used?</p>	<p>Australian Business Objectives:</p> <p>The Offer proceeds will be used by the Company to pursue the following business activities in Australia:</p> <ul style="list-style-type: none"> • manufacturing of the Products in Australia; • marketing and promotional campaigns for Australia Draught Beer and increasing production and distribution of Australia Draught Beer; • continued promotion and marketing of Broo Premium Lager and growing distribution of Broo Premium Lager in Australia to retailers and hospitality venues; • establishing the Company's own brewing facilities if a suitable and commercially attractive opportunity arises; • fees associated with the listing of the Company and quotation of the Shares offered under this Prospectus; • the Company's administration and overhead costs; and • expenses associated with the Offer. <p>It is anticipated that the majority of funds raised under the Offer will be applied to these objectives.</p> <p>International Business Objectives:</p> <p>The Offer proceeds will also be used by the Company for pursuing the following business activities in China:</p> <ul style="list-style-type: none"> • funding production of Broo Premium Lager in China pursuant to the China Supply Agreement; • establishing the distribution network of Broo Premium Lager in China; and • activities associated with the marketing and promotion of Broo Premium Lager in China. 	<p>Section 2,3</p>

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Item	Summary	Further Information
9. Additional information		
What are the tax implications of purchasing Shares under this Offer?	<p>Section 3.13 provides a general summary of the potential Australian tax implications of participating in the Offer.</p> <p>However, the tax consequences of participation will depend on the individual investor's circumstances, and as such, Applicants should obtain their own tax advice before subscribing for Shares pursuant to this Offer.</p>	Section 3
Where can I find additional information?	<p>You can obtain further information from:</p> <ul style="list-style-type: none"> • Your accountant, solicitor, stockbroker or other independent professional financial adviser. • From the Share Registry on 1300 618 324 (within Australia) +61 3 9415 4013 (outside Australia) • From the Company by telephone on +61 (3) 5984 2222 • From the Lead Manager on +61 (3) 9600 3599. 	

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2. Company Overview

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2. Company Overview

2.1 Company Background

The Company is an unlisted Australian public company which was incorporated in 1993 by Kent Grogan (Chairman and Executive Director).

The Company developed the Broo Premium Lager beer product in 2009 and commenced retailing Broo Premium Lager through liquor stores and hospitality venues in September 2009.

The Company was converted into a public company in 2011 in connection with its launch of the innovative “Live the Dream” public capital raising offer in January 2011. Under the “Live the Dream” offer, consumers who purchased a case of Broo Premium Lager online were entitled to become a Shareholder in the Company, and were issued with free ordinary shares in connection with their product purchase.

The Company’s subsidiary, Australia Draught, has developed Australia Draught Beer, which has been distributed to selected independent retailers since 2014 under a pilot program intended to assess consumer demand before larger scale commercial production and distribution is launched in Australia. Australia Draught has tracked consumer purchasing data of Australia Draught Beer, and notes that the product has demonstrated growth based on sales figures from the selected independent retailers.

While the Company does not have fixed supply contracts with liquor stores and hospitality venues, Broo Premium Lager is stocked in Victoria at a range of independent outlets, including those operating under banners such as Thirsty Camel, Bottlemart, Cellarbrations, Bottle-o, Foodworks, Independent Grocers of Australia liquor retailers, and a range of independent hotels and bottle shops. In Australia, the Company and Australia Draught have not engaged a third party distributor and instead distribute Broo Premium Lager and Australia Draught Beer directly to retailers upon receiving an order.

In Australia, the Company currently outsources the brewing of Broo Premium Lager and Australia Draught Beer to a third party contract brewer. For more information about the Company’s supply agreement with the third party contract brewer, please refer to section 9 of this Prospectus (“Material Contracts”).

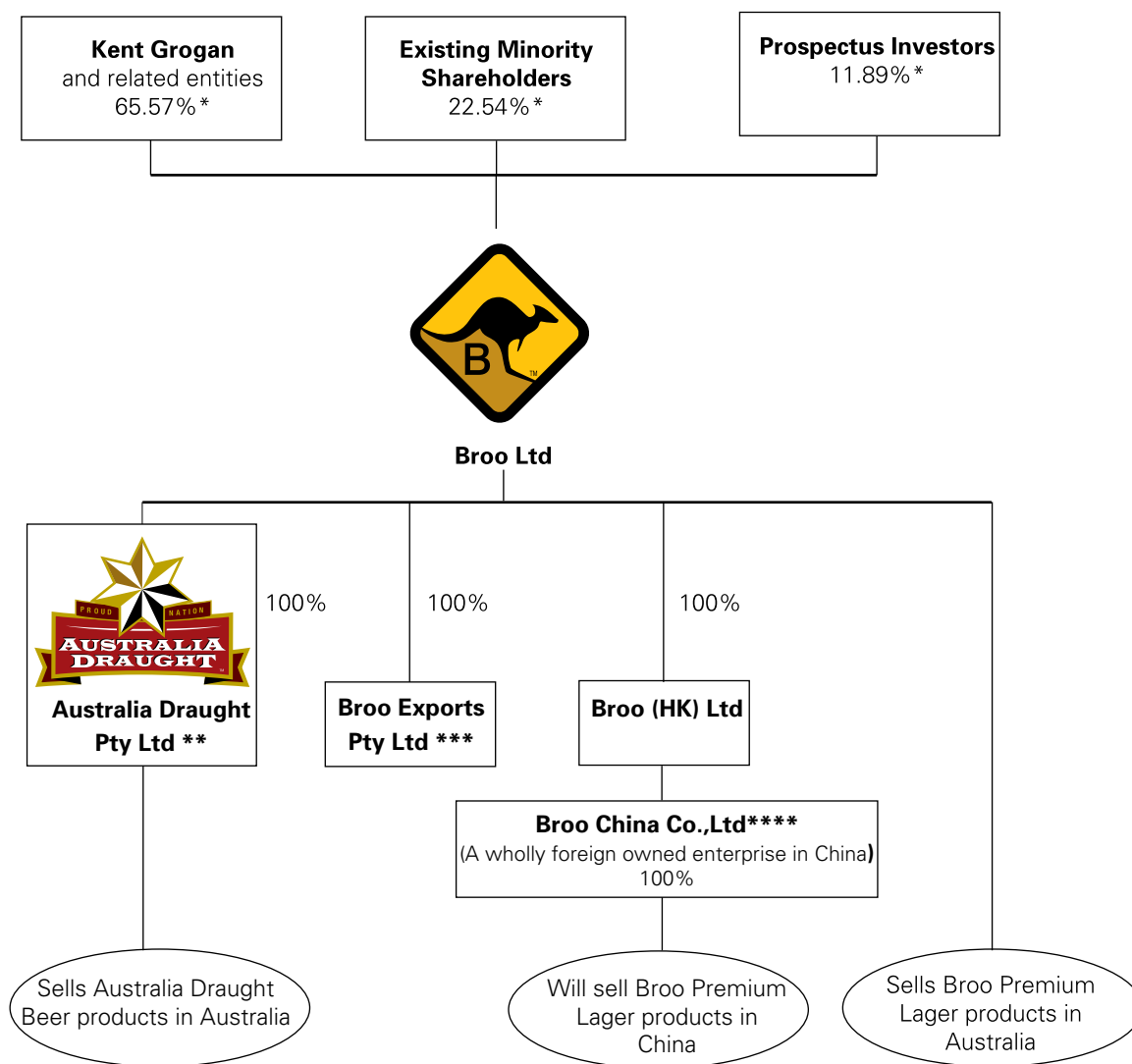
In June 2015, the Company entered into the China Supply Agreement, whereby the Company has engaged Jinxing, a prominent Chinese brewing company, to brew and package Broo Premium Lager in China. It is currently anticipated that Jinxing will start implementing pre-production activities for Broo Premium Lager within two months of the Company achieving Official Quotation on the ASX (notwithstanding that the China Supply Agreement is not conditional on the Company achieving Official Quotation).

In June 2015, the Company also entered into the China Distribution Agreement, a non-exclusive distribution agreement, with Henan Liquor, a Chinese distributor based in Zhengzhou, Henan Province. Henan Liquor will distribute Broo Premium Lager through its established sales channels including the chain of Liquor Easy stores operated by Henan Liquor. As at March 2016, Liquor Easy had a total of 260 outlets in Henan province (mostly located in Zhengzhou), and several locations within Beijing. The Liquor Easy business is partially owned by Hong-Kong listed Legend Holdings Co., Ltd, which owns the Lenovo information technology brand.

Liquor Easy incorporates three sales channels, o2o (‘online to offline sales’), call centre and retail outlets. The Liquor Easy outlets utilise consistent branding, store layout, and software integration with each division providing a high level of customer service and purchasing convenience for consumers. This new venture has proved to be successful for Henan Liquor and attracted much interest in China with Legend Holdings Co., Ltd (part of the Lenovo Group) recently making a significant investment into Liquor Easy to expand the Liquor Easy business model and outlets across China. Liquor Easy currently has 550,000 registered customers (businesses and consumers) using their o2o solutions sales channel and recently won the Chinese Industry Awards “2015 Pioneer Liquor Marketing Award”.

For more information about the China Supply Agreement and China Distribution Agreement, please refer to Section 9 of this Prospectus (“Material Contracts”).

2.2 Corporate Structure



*This estimate is based on the assumption that the Maximum Subscription is achieved.

** Australia Draught is currently a wholly owned subsidiary of the Company. While the Warrant Subscribers hold rights to subscribe for up to 11.5% of Australia Draught, they have agreed to relinquish these rights on 23 December 2016 upon repayment of the finance facility and a one-off payment of \$115,000 to the Warrant Subscribers and have agreed to refrain from exercising or transferring these rights in the interim. For more information, please refer to the Australia Draught Warrant Subscription Agreements in Section 9 of this Prospectus ('Material Contracts').

*** Broo Exports currently does not trade and has no trading history. Broo Exports has been incorporated to enter into potential future product export commercial dealings of the Company, as may be required.

**** To be established

2.3 Business Model after completion of the Offer

Following successful completion of the Offer, the Company proposes to focus on the development, sale and distribution of the Products, being Australia Draught Beer and Broo Premium Lager.

This includes the following principal activities and goals in Australia:

Increasing production of the Products: The Company will allocate funding towards increasing production of the Products in Australia, to enable increased distribution and sales in the Australian market;

Australia Draught Beer: the Board anticipates that Australia Draught will focus on implementing a full-scale commercial launch of Australia Draught Beer in Australia, including a more concentrated focus on manufacturing, sales and marketing of Australia Draught Beer;

Expanding its commercial customer base: The Company intends to focus on expanding the number of commercial customers who purchase the Products through its distribution network and by actively seeking new commercial opportunities for the Business;

Expanding its Australian domestic consumer base: the Company intends to simultaneously focus on growing distribution of the Products and increasing the Australian domestic consumer base for the Products;

Research and Development: the Company will continue to undertake research and development activities to further develop the Company's range of products;

Brewery: in order to improve control over the manufacture of the Products in Australia, and reduce the Company's reliance upon third-party contract brewers in Australia, following completion of the Offer the Company will actively seek out opportunities to acquire or lease plant and equipment to establish its own brewing facility operations in Australia and install such plant and equipment in leased commercial premises.

In China, the Company and its subsidiaries will focus on the following principal activities and goals:

Pre-Production Activities: it is anticipated that Jinxing will start implementing pre-production activities, such as refinement and testing of Broo Premium Lager to be produced by Jinxing in China, within two months of the Company achieving Official Quotation on the ASX. To assist with such refinement during this period, the Company's head brewer, Denis Coldebella, will be seconded to Zhengzhou, China, where Jinxing's production facility is located, and the Company's consultant graphic designer will be engaged to assist with label and packaging design for the Chinese market;

Developing relationships with manufacturers, distributors and retailers: the Company will continue to focus on developing long-term relationships with brewers and packagers in China, including Jinxing and Henan Liquor, including their key customer network;

Distribution through Liquor Easy stores: as Henan Liquor owns a network of 260 Liquor Easy stores in Zhengzhou and Beijing, it is intended that Henan Liquor shall undertake distribution of Broo Premium Lager through these liquor outlets;

Marketing and Promotion: the Company intends to implement marketing, advertising and promotional initiatives in China, to raise the profile and market awareness of the Broo brand, and in particular, the Broo Premium Lager brand; and

Expanding its commercial customer base: it is anticipated that, once incorporated, ChinaCo will also undertake sales and distribution of Broo Premium Lager in China, and will focus on establishing an independent distribution network for Broo Premium Lager in China and shall actively seek new commercial opportunities for the Business within China.

However, investors should note that there is no guarantee or warranty provided that the Company will successfully achieve these goals, nor that it will be able to increase its customer base or achieve sales and profitability through such activities.

2.4 Competitor Activity

2.4.1 Australia

The Australian beer market has traditionally been highly concentrated, with two companies (SABMiller and Lion Nathan) dominating the beer market, of which SABMiller and Lion Nathan control eighty-five percent (85%).

However, consumption of independent and local craft beer has increased in Australia in the 2010 to 2014 period. The proportion of Australians aged 18 and over who consume local craft beer in any given four weeks has increased over the last five years, from 3.5% (or 592,000 people) in the year to March 2010 to 5.7% (or 1.04 million people) as of March 2014, and it is forecast that the craft beer industry will grow by 5% over the next 5 years. As at the date of this Prospectus, Lion Nathan controls about 50 per cent of the Australian craft beer market, owning brands such as Little Creatures, James Squire and White Rabbit.

Traditionally, Australian beer has been produced for local consumption, and full-strength beer accounted for 82.1% of all beer sold in 2012-2013, followed by mid strength beer (14.3%) and low strength beer (3.6%). In 2014, beer comprised the greatest proportion of all pure alcohol consumed in Australia at 41%, followed by wine (37%), spirits (13%), ready-to-drink beverages (7%) and cider (2%).

2.4.2 China

The beer market in China is relatively concentrated, with five companies (SABMiller/China Resources Snow Breweries, Tsingtao Brewery Co, Anheuser-Busch InBev, Beijing Yanjing Brewery and Carlsberg) monopolizing 80% of China's domestic beer market. According to EuroMonitor data, Snow is the most popular beer brand in China, followed by Tsingtao, Yanjing, Harbin and Laoshan.

Meanwhile, in terms of sales, China Resources Snow Breweries is the largest beer company in China, followed by Tsingtao Brewery, Belgium-headquartered Anheuser-Busch InBev, Beijing Yanjing and Danish brewing company Carlsberg.

China is expected to become the largest beer market in the world by sales value in 2017, with analysts attributing the expansion to a rise in disposable income and rapid growth in the legal drinking age population.

Beer, hard cider, and flavored alcoholic beverages dominate the Chinese alcoholic beverage sector, accounting for roughly ninety percent (90%) of the market's sales by volume in 2009 and 2010. Standard lager is the preferred beer in China. While growth in domestic mass-production beers slowed in 2015, analysts expect further growth in "premium" beers, such as craft beers or international offerings.

For more information about the Chinese and Australian beer markets, please refer to Section 4 of this Prospectus ('Market Overview').

2.5 Research and Development

As part of the Company's trade mark portfolio, it holds registered trade marks for two development-stage brands, being the "KAKADU" logo mark (trade mark 1463460), which it may use for a beer product, and "H-BROO-O" word and logo marks (trade marks 1417500 and 1417505), which it may use for a bottled water product. However, apart from trade mark registration, the Company has not taken active steps to develop these products, and there is no guarantee that the Company will develop these products or brands further in the future.



2.6 Overview of Intellectual Property Assets

The Company and its wholly owned subsidiary, Australia Draught, hold a range of trade marks, registered in Australia and in other jurisdictions.


As at the date of this Prospectus, the Company and Australia Draught have registered trade marks in the following jurisdictions:

2.6.1 Broo Limited

Australia

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/Expiry Date
Broo Ltd	1268978	BROO	32,33	Registered/ Protected	24 October 2028
Broo Ltd	1304408		32, 33	Registered/ Protected	16 June 2019
Broo Ltd	1381206	BROODIFUL	32, 33	Registered/ Protected	2 September 2020
Broo Ltd	1417500	H-BROO-O	32	Registered/ Protected	31 March 2021
Broo Ltd	1417505		32	Registered/ Protected	31 March 2021
Broo Ltd	1417597		32, 36	Registered/ Protected	31 March 2021
Broo Ltd	1459319		32	Registered/ Protected	11 November 2021
Broo Ltd	1463460		32	Registered/ Protected	6 December 2021

United States

Holder	TM No.	Trade Mark	Goods and Services	Status	Renewal/ Expiry Date
Broo Ltd	3833886		IC 032. US 045 046 048. G & S: BEER IC 033. US 047 049. G & S: ALCOHOLIC BEVERAGES OTHER THAN BEER	Registered/Live	17 August 2020

European Union

Holder	TM No.	Trade Mark	Nice classes	Status	Renewal/ Expiry Date
Broo Ltd	008209538	BROO	32, 33	Registered	9 April 2019
Broo Ltd	008498917		32, 33	Registered	19 August 2019
Broo Ltd	10306165		32	Registered	30 September 2021

New Zealand

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Broo Ltd	829832	BROO	32,33	Registered	2 September 2020
Broo Ltd	829836		32,33	Registered	2 September 2020

India

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Broo Ltd	2008700		32, 33	Registered	12 August 2020

Japan

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Broo Ltd	5543111		32	Registered	14 December 2022

China

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Broo Ltd	8606201		32	Registered	6 February 2024

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Hong Kong

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Broo Ltd	303721987		32, 33	Application made/ Pending	N/A

2.6.2 Australia Draught Pty Ltd

Australia

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Australia Draught Pty Ltd	1596065		32	Registered/Protected	11 December 2023
Australia Draught Pty Ltd	1596066		32	Registered/Protected	11 December 2023

Japan, United States, New Zealand, European Union, India, China

Holder	TM No.	Trade Mark	Class/es	Status	Renewal/ Expiry Date
Australia Draught Pty Ltd	N/A		32	Application made/ Pending	N/A

2.6.3 Domain Names

The Company also holds the www.broo.com.au and www.australiadraught.com.au domain names.

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3. Details of the offer

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3. Details of the offer

3.1 Shares Offered for Subscription

This Prospectus invites investors to apply for a total of up to 75,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$15,000,000. The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus, and will comprise of:

- (a) a General Offer, which is available to all eligible investors; and
- (b) a Priority Offer, which is available to existing Shareholders as at the Priority Offer Record Date.

All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with Shares already on issue.

Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

The details of how to apply for Shares are set out below.

Applicants should be aware that ASX will not admit any Shares issued pursuant to this Offer to Official Quotation until the Company has complied with Chapters 1 and 2 of the Listing Rules and is admitted by ASX to the Official List. As such, the Shares issued under the Offer may not be able to be traded for some time after the close of the Offer.

In the event that the Company does not receive approval for admission to the Official List, the Offer will be withdrawn and the Company will repay all Application monies received by it in connection with the Offer (without interest).

3.2 Minimum Application

Applications must be for a minimum of 10,000 Shares. Applications to acquire Shares will only be accepted on submission of the Application Form attached to this Prospectus, or, if applying under the Priority Offer, upon submission of the Priority Offer application form made available to existing Shareholders together with this Prospectus.

The Directors may reject any application or allocate any Applicant fewer Shares than that Applicant applied for.

3.3 Minimum Subscription

The Minimum Subscription for this Offer is 52,500,000 Shares to raise \$10,500,000. If the Minimum Subscription is not achieved within three (3) months after the date of this Prospectus, the Directors will not allot any new Shares and all Application monies will be returned without interest.

3.4 Opening and Closing Dates

Subscription for Offer Shares will open on 9.00am AEST on the Opening Date and remain open until 5.00pm AEST on the Offer Closing Date.

The Opening Date and Offer Closing Date are subject to the right of the Directors to either close the Offer at an earlier time and date or to extend the Offer Closing Date without prior notice.

Applicants are encouraged to submit their Applications as early as possible.



3.5 Applications for Shares – How to Apply

General Offer

Under the General Offer, applications for Shares offered by this Prospectus may only be made online at www.brooinvestors.com.au, or on the Application Form attached to and forming part of this Prospectus. Please read the instructions on the Application Form carefully before completing it.

Priority Offer

Under the Priority Offer, applications for Shares may only be made online at www.brooinvestors.com.au or on the Priority Offer application form made available to existing Shareholders with this Prospectus. Eligible Applicants under the Priority Offer are encouraged to carefully read the instructions on the Priority Offer application form before completing it. Applicants under the Priority Offer are reminded that they can use their Priority Offer application form to apply for additional Shares above the Priority Offer entitlement of 10,000 Shares.

How do I submit the Application Form?

Investors may apply online by following the instructions at www.brooinvestors.com.au. Applications may also be made on an Application Form attached to or accompanying this Prospectus.

Completed Application Forms and Priority Offer application forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to Broo Ltd Subscription A/C and may be lodged at any time after the issue of the Prospectus and on or before the applicable closing date as follows:

by post to:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3000

No brokerage or stamp duty is payable by Applicants.

3.6 Acceptance of Applications

Pursuant to the Priority Offer, eligible Shareholders of the Company as at the Priority Offer Record Date will be guaranteed an allocation of 10,000 Shares under the Offer if they pay the application amount and submit a valid Priority Offer application form, which will be made available to them together with a copy of this Prospectus. Other than under the Priority Offer, the Company is unable to guarantee any allocation of Shares under this Prospectus and Applicants should note that an Application for Shares may be accepted in full, for any lesser number, or rejected by the Directors. If any Application is rejected, in whole or in part, the relevant Application monies will be returned without interest.

3.7 Capital Structure of the Company

The effect of the Offer on the Company's capital structure is set out below.

Shares

	Minimum Subscription	Maximum Subscription
Shares on Issue as at the date of this Prospectus	555,518,040	555,518,040
Shares to be issued under the Offer	52,500,000	75,000,000
Total Number of Shares on Issue following Offer Closing Date	608,018,040	630,518,040

Options

	Minimum Subscription	Maximum Subscription
Options on issue as at the date of this Prospectus	60,342,500	60,342,500
Options to be issued under the Offer	Nil	Nil
Total Number of Options on issue following the Offer Closing Date	60,342,500	60,342,500

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3.8 What is the proposed use of funds raised under the Offer?

Under the Offer, the Company plans to raise up to \$15,000,000. The Company intends to apply the funds raised from the Offer as follows:

Use of Funds	Minimum Subscription	Percentage of Funds (%)	Maximum Subscription	Percentage of Funds (%)
Total raised under Offer	\$10,500,000		\$15,000,000	
Expenses of Offer	\$694,500	6.61%	\$1,022,300	6.82%
Repayment of the Principal under the Facility Arrangement	\$575,000	5.48%	\$575,000	3.83%
Payment to Warrant Subscribers to relinquish the Warrants	\$115,000	1.10%	\$115,000	0.77%
Administration and overheads (over a two (2) year period)	\$1,800,000	17.14%	\$1,800,000	12.00%
Australia- Outsourced Production Costs***	\$2,000,000	19.05%	\$3,500,000	23.33%
Australia Marketing and Advertising Costs	\$400,000	3.81%	\$750,000	5.00%
Establishment of Australian brewing facility at leased site	\$1,500,000	14.29%	\$2,500,000	16.67%
China- Outsourced Production Costs***	\$3,000,000	28.57%	\$3,500,000	23.33%
China Marketing and Advertising Costs	\$150,000	1.43%	\$500,000	3.33%
Working Capital	\$265,500	2.53%	\$737,700	4.92%
Total Funds applied	\$10,500,000	100%	\$15,000,000	100%

Notes:

* If the Company raises less than the Maximum Subscription then the budgets set out above may be reduced proportionately.

** The Board considers that the amount to be raised under the Offer, if the Minimum Subscription is achieved (being \$10,500,000), will provide sufficient working capital to achieve the Company's objectives, as set out in this Prospectus.

Investors should be aware that the Company may expend its cash reserves on its activities more quickly than anticipated. The Directors will consider further equity funding where it considers that the raising of such further capital is necessary to meet the Company's objectives and requirements.

The Company considers that both the Minimum Subscription and Maximum Subscription are sufficient to meet its business objectives and, if the subscription under the Offer is less than the Maximum Subscription, it will not adversely affect the Company's financial position and prospects.

*** These outsourced production costs refer to fees payable to third party manufacturers of the Products.

Please refer to section 7 for further information in relation to the financial position of the Company and the Broo Group.

3.9 Company's Constitution and Rights attaching to Shares

The Constitution sets out the internal rules of the Company. The section below summarises the material provisions of the Constitution, including the rights and liabilities attached to Shares. This summary is not intended to constitute an exhaustive statement of the rights and liabilities of Shareholders.

1. *Issue of Shares*

The issue of Shares by the Company is under the control of the Board, subject to the Corporations Act, the Listing Rules and any rights attached to any special class of shares.

2. *Transfer of Shares*

Pursuant to the Constitution, a Shareholder may transfer a Share as provided by the operating rules of a clearing and settlement facility if applicable, or otherwise by any means permitted by the Corporations Act or by law.

The Company participates in the share registration and transfer system known as CHESS, which is operated by ASX under the Security Clearing House Business Rules. Under CHESS, the Company may issue holding statements in lieu of share certificates. The Company is not permitted to charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of Shares only if the refusal would not contravene the Corporations Act or the Listing Rules, where the registration would create a new parcel of unmarketable securities.

3. *Variation of Shares*

The rights attached to any class of Shares may, unless their terms of issue state otherwise, be varied or cancelled with the written consent of 75% of the holders of issued shares of the affected class, or authorised by a special resolution passed at a separate meeting of the holders of the shares of the affected class.

4. *Meetings of Shareholders (General meetings)*

The Directors may call a meeting of Shareholders whenever they think fit.

Shareholders may call a meeting in accordance with the Corporations Act. The Constitution contains provisions prescribing the content requirements for notices of meetings sent to Shareholders. All Shareholders are entitled to attend, and will receive at least 28 days' notice of a general meeting. A quorum for a general meeting is two (2) Shareholders who are eligible to vote at the general meeting, or, if only one (1) Shareholder is entitled to vote, that Shareholder.

The Company will hold an annual general meeting in accordance with the Corporations Act and the Listing Rules.

5. *Voting rights*

Subject to any rights or restrictions for the time being attached to any Shares or class of shares of the Company, each Shareholder, whether present in person or by proxy, attorney or representative at a meeting of Shareholders, has one vote on a show of hands and one vote on a poll for each fully paid share held and a fraction of a vote for each partly paid share, equivalent to the proportion paid up on that share. Resolutions of Shareholders will be decided by a show of hands unless a poll is demanded.

6. *Directors*

The business of the Company is to be managed by or under the direction of the Directors. The Company must have at least three (3) directors and not more than nine (9). The Board may appoint a person to be a director at any time, but any such director must retire at the next annual general meeting (at which meeting he or she may be eligible for election as director).

The Company in general meeting may elect directors by ordinary resolution.

At each annual general meeting, any director who will have been in office for three (3) or more years must retire from the Board, and is eligible for re-election.

7. *Dividends*

Subject to the Corporations Act and the terms of issue of Shares, the Board may resolve to pay any dividend it thinks appropriate from the profits of the Company, and fix the time for payment.

However, investors should note that the Company is currently in its development phase, and therefore the Board does not currently intend to pay dividends.

8. *Winding Up*

On a winding up of the Company a liquidator may, with the sanction of a special resolution of the Shareholders, divide among the Shareholders the property of the Company in proportion to the Shares held by them. The liquidator may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

3.10 **Rights attaching to Options**

As at the date of this Prospectus, the Company has 60,342,500 Options on issue. The Options have been issued on the terms and conditions below. All other term and conditions of the Options will be in accordance with the requirements of the Listing Rules.

1. *Options not Listed*

Options are transferable and will not be quoted on the ASX. If the Company's ordinary shares have been admitted to quotation by the ASX, then the Company must apply to the ASX within ten (10) business days after the date of issue of any shares issued upon exercise of the Options, for such shares to be admitted to quotation.

2. *Entitlement*

Each Option entitles the holder to subscribe for one Share upon the exercise of the Option. All shares issued upon exercise of the Options will rank equally with all Shares in the capital of the Company.

3. *Expiry Date*

The Options issued shall expire upon 4 years from the date of issue, being 4 July 2020 (**Expiry Date**), and are exercisable at any time on or prior to the Expiry Date (**Exercise Period**). Options not exercised before the Expiry Date will lapse upon the Expiry Date.

4. *Exercise Price*

The amount payable upon the exercise of each Option will be \$0.30 (**Exercise Price**).

5. *Notice of Exercise*

The Options shall be exercised during the Exercise Period by making notice in writing to the Company in accordance with the Option certificate and payment of the Exercise Price for each Option by electronic funds transfer or any other means of payment to the Company.

6. *Reorganisation of Capital*

If, prior to expiry of the Options, there is a reorganisation of the issued capital of the Company, then the rights of an Option holder will be changed to the extent necessary in order to comply with the Listing Rules applying to the reorganisation of capital at the time of reorganisation.

7. *Participation in new issues of securities*

An Option holder may only participate in new issues of securities to holders of ordinary shares in the Company to the extent that the Option has been exercised and the shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give reasonable notice to the Option holder of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules.

8. *Bonus Issues*

If the Company makes a bonus issue of shares pro rata to holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the bonus issue.

3.11 Allotment

Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares for which the Application is accepted.

The Company will allot and issue the Shares offered by this Prospectus as soon as possible after the grant of quotation of the Shares offered under this Prospectus.

Following the allotment and issue of the Shares, statements illustrating Applicants' shareholdings in the Company will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

3.12 Application Monies Held on Trust

All Application monies received for the Shares offered under this Prospectus will be held in trust in a bank account established solely for the purpose of depositing Application monies received pursuant to this Prospectus until the Shares are allotted. Application monies will be returned (without interest) if the Shares are not allotted.

3.13 Taxation

The following taxation summary provides a general overview of the Australian tax implications to Australian investors who acquire and hold Shares under the Offer contained in this Prospectus.

The following summary is not intended to be a complete statement of the possible implications for investors.

The individual circumstances of each investor may affect the taxation implications of the investment for that investor. It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in the Company should seek independent professional advice with respect to the tax consequences arising from such an investment.

This summary is based on the current Australian taxation law, and administrative practice of the Commissioner of Taxation (Commissioner), as at the date of this Prospectus. However, potential investors should be aware that the law, and the way in which the Commissioner interprets and administers the law, may change at any time, and that the ultimate interpretation of the Australian taxation law rests with the courts.

These comments do not apply to Shareholders that are insurance companies, banks or carry on a business of trading in shares, or hold Shares otherwise than on capital account (i.e. on revenue account).

Australian capital gains tax

Australian income tax laws contain a capital gains tax (CGT) regime and Australian tax resident Shareholders will be subject to the CGT regime on a disposal of Shares.

The cost base used to assess any capital gain or loss on Shares is generally the amount a Shareholder pays to acquire the Shares plus any incidental costs of acquisition and non-capital costs of ownership incurred. A capital gain typically arises when an asset is disposed of and the capital proceeds exceed the cost base of acquiring the asset. Conversely, a capital loss generally arises if the cost base exceeds the capital proceeds received.

Capital losses made in the same or prior years can typically be offset against any capital gains. Any remaining net capital gain is included in assessable income and taxed, with the amount of tax payable depending on the individual taxpayer's tax profile. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to certain restrictions.

Non-Australian tax resident Shareholders will not be subject to Australian CGT on a disposal of their Shares, as the Shares are not in a company which is Australian "land rich".

Chinese capital gains tax

China has a ten percent (10%) capital gains tax on indirect capital gains made by a non-resident of China selling shares in a non-resident company where the value of the non-resident company is "mainly" derived from Chinese assets. However, there is an exemption where the shares being sold are in a non-resident company listed on a stock exchange. Accordingly, sales of Offer Shares by an Australian tax resident in the current case, will not be subject to Chinese capital gains tax.

Disposing of your shares

If you are an Australian resident for tax purposes and you dispose of your Offer Shares, this may give rise to a capital gain subject to Australian CGT. Such capital gain would be equal to the capital proceeds received for the disposal of the Offer Shares, less the cost base of the Offer Shares. Complying superannuation entities are entitled to a CGT discount of one-third if the Offer Shares have been owned for at least 12 months at the date that the Offer Shares are disposed of. The net capital gain for individuals or entities acting as trustees of trusts (which have presently entitled beneficiaries) may be reduced by 50% if the Offer Shares were held by more than 12 months as at the date of disposal (this 50% discount does not apply to companies that hold Shares).

Dividends

Although the Company will derive Australian sourced income, some of the Company's income and gains will be foreign, which are likely to be tax exempt at the level of the Company as non-assessable non-exempt income (NANE) of the Company. Therefore, any dividends paid by the company are likely to have a mixture of taxed and untaxed source income, and are therefore the dividends are likely to be partly franked.

Australian tax resident Shareholders will be fully subject to Australian tax on the dividends, less the applicable franking credit.

Dividends received by non-Australian tax resident Shareholders will not be subject to withholding tax to the extent they are franked. In relation to the unfranked component:

- except to the extent that the Company declares the unfranked component to be sourced from conduit foreign income (namely, NANE), a dividend withholding tax at the rate of 30% if they are not resident in a country that has a double tax agreement with Australia (e.g. Hong Kong), and usually at 15% if a resident of a treaty country (e.g. Indonesia, Singapore, Malaysia, Thailand, China); and
- if such a conduit declaration is made, no dividend withholding tax on the unfranked component.

Nominees

Where a non-Australian tax resident uses an Australian nominee to hold its Shares:

- as the CGT law disregards the nominee, any capital gain will continue to be free of Australian tax; and
- Since the issue of TD 2014/13, it has become clear that the beneficial owner will be entitled to reduced rates of withholding tax under any relevant double tax agreement.

3.14 Foreign Selling Restrictions and Overseas Applicants

This Prospectus does not, and is not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken any action to register or qualify the Offer Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

It is the responsibility of any Applicant that is based in a foreign jurisdiction (outside Australia) to ensure compliance with all laws of any foreign jurisdiction that are relevant and applicable to their Application. The return of a properly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of any applicable foreign jurisdiction laws and that all necessary approvals and consents have been obtained.

3.15 Escrow

The following securities on issue as at the date of this Prospectus or to be issued prior to Admission of the Company's securities to the Official List and Official Quotation of the Shares, are subject to escrow restrictions:

- 413,425,000 Shares issued to Kent Grogan and Groges Holdings Pty Ltd, which are likely to be escrowed for 24 months from the date of Official Quotation of the Shares;
- 41,376,570 Shares issued to De Graaff Holdings Pty Ltd, which are likely to be escrowed for 24 months from the date of Official Quotation of the Shares;
- 15,450,500 Shares issued to other related seed capitalists, professionals or consultants and transferees of these entities, which are likely to be escrowed for 24 months from the date of Official Quotation of the Shares;
- 1,045,000 Shares issued to non-related seed shareholders in the 12 months prior to the date of this Prospectus, which are likely to be escrowed for 12 months, commencing on the date of issue.

Escrow agreements in relation to the above Shares will be entered into in accordance with the Listing Rules. Please note that the ASX may determine to increase or reduce the escrow restriction periods that are to apply to the Company's Shareholders once the Company lodges its application for quotation of the Shares.

The Company has not applied for nor obtained any modifications of, or exemptions from, the Listing Rules pursuant to this Offer.

ASX may require further escrow restrictions once the Company lodges its application for quotation of the Shares.

3.16 CHESS

The Company will apply to CHESS, the Clearing House Electronic Sub-Register System (**CHESS**) operated by ASX Settlement Pty Limited (**ASX Settlement**), a wholly owned subsidiary of ASX. This is regulated by the Listing Rules and Security Clearing House Business Rules.

Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASX Settlement will send the broker a CHESS statement. The CHESS statement will set out the number of securities allotted to each investor under the Prospectus, give details of the investor's Holder Identification Number and give the Participant Identification Number of the sponsor

If an investor is registered on the issuer sponsored subregister, their statement will be dispatched by the Share Registry and will contain the number of securities allotted under the Prospectus and the investor's Security Holder

Reference Number and their Sponsor Issuer Number.

A CHES statement or Issuer Sponsored Statement will routinely be sent to investors at the end of any calendar month during which the balance of their holding changes. An investor may request a statement at any other time. However, a charge may be made for additional statements.

3.17 Professional Advice

The Directors recommend that potential investors, when making an informed assessment of what will be the assets and liabilities, financial position, profits and losses and prospects of the Company should read this Prospectus in its entirety. Potential investors who have any questions about investing in the Company or are in any doubt about any matter relating to the Offer, should seek the advice of their professional advisers.

3.18 Withdrawal

The Company may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application monies without interest at the earliest practicable time.

3.19 Compliance with Chapters 1 and 2 of the ASX Listing Rules

The ASX requires the Company to comply with Chapters 1 and 2 of the Listing Rules in order to be admitted to Official Quotation on the Official List of the ASX.

There is a risk that the Company may not be able to meet the ASX's requirements for listing. In the event that the conditions to the Offer are not satisfied, or the Company does not receive conditional approval for Official Quotation of its securities on the ASX, then the Company will not proceed with the Offer and will repay all Application monies received.

Key requirements of Chapters 1 and 2 of the Listing Rules are:

- a prospectus must be issued and lodged with ASX. This Prospectus is anticipated to fulfil this requirement;
- the shareholder spread requirements set out in Listing Rule 1.1 relating to the minimum spread of shareholdings and the minimum number of shareholders must be met;
- the Company must satisfy the "assets test" contained in Listing Rule 1.3; and
- the issue price of the Shares under the Prospectus must be at least \$0.20.

3.20 Bookbuild Facility

The Company may elect to provide a proportion of Shares to the ASX Bookbuild Facility (**Bookbuild Facility**) to make available to eligible investors in a volume bookbuild, and, if the Bookbuild proceeds, shall appoint Beer & Co to manage the Bookbuild on behalf of the Company.

The Bookbuild Facility is an automated on-market facility operated by ASX which allows issuers to conduct an on-market bookbuild using ASX infrastructure.

If the Company elects to proceed with a Bookbuild Facility, eligible wholesale and retail investors will be able to bid for Shares issued pursuant to this Prospectus by participating in the Bookbuild Facility via Beer & Co or their brokers.

If the Company does proceed to use the Bookbuild Facility, it will announce its participation, together with all relevant information and details required by the ASX Operating Rules and the Corporations Act, on its website (www.broo.com.au) and on the ASX Market Announcements Platform when the Offer opens.

For further details about the Bookbuild Facility operated by the ASX, please refer to: www.asx.com.au/documents/professionals/bookbuild-investor-information-sheet.pdf.

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4. Beer Industry and Market Overview

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4. Beer Industry and Market Overview

4.1 Market for Products

4.1.1 Global Beer Industry

Statistics reveal that beer is the most popular alcoholic beverage globally, and when compared with all beverages it is the third most-popular beverage, only behind water and tea. Global beer production has continued to increase over the past decade from approximately 1.3 billion hectolitres (1 hectolitre = 100 litres) in 1998, to 1.93 billion hectolitres in 2011. Being a "normal good", i.e. a good for which demand increases when average income increases, the beer industry has traditionally focused on developed economies. However, in recent years, emerging markets have been the stage for strong growth rates and volume increases for the beer industry.

4.1.2 Beer Industry in Australia

Overview

In Australia, the beer manufacturing industry is highly concentrated. As at the date of this Prospectus, Australia's two largest brewers, SABMiller Beverage Investments Pty Ltd, trading as Carlton & United Breweries (**CUB**) and Lion Pty Ltd, a subsidiary of Kirin Brewing Company (**Lion Nathan**), account for over 80% of market share in the beer industry.

While per capita beer consumption has declined over the past 5 years, a shift in consumer preferences from traditional brands to higher-priced premium and craft beer has partially offset the decline in consumption, and helped limit profitability declines.

Currently, there is a movement amongst established brewers, typically involved in the traditional beer segment, towards acquiring successful craft breweries and increasing their own craft beer production.

Supply of Beer in Australia

Whilst downstream markets for beer manufacturers have traditionally been focused on wholesalers such as Metcash, this is shifting as the major retailers expand their presence.

With an increasing proportion of alcohol being sold through retail liquor outlets, retailers are expected to account for 37.3% of revenue in the liquor industry in 2015-16.

This retailer segment is becoming increasingly dominated by two major retailers, Woolworths and Coles, and their liquor stores (such as Woolworths' Dan Murphy's chain) and online liquor subsidiaries, with Roy Morgan reporting in November 2015 that Dan Murphy's held a 23.9% share of Australia's alcohol retail market, followed by BWS, a chain owned by Woolworths Ltd, with 17.9%, and Liquorland, a chain owned by Coles' parent company Wesfarmers, with a 10.8% market share.

Some retailers have begun to negotiate with manufacturers directly, bypassing wholesalers, and to market their own private-label alcoholic beverages.

However, independent liquor retailers in Australia are typically serviced by wholesalers, such as Metcash, which also cater to bars, nightclubs, cafes and restaurants. Some bars, clubs and pubs also source beer directly from manufacturers, such as small craft breweries.

Beer Demand in Australia

Full-strength beer

Consumption of full-strength beer (traditional or bulk lagers with between 4.0% - 5.0% of alcohol by volume) has been declining over the past 5 years, as rising discretionary income and consumer demand for variety have led to a growth in the premium and craft beer segments.

However, full-strength traditional beer remains the industry's largest product segment, accounting for around 75% of all beer in 2013-14. Full-strength beer brands include Victoria Bitter, Carlton Draught, Tooheys, Fosters and XXXX, which are typically sold for between \$40-\$50 a case and served on tap in many pubs.

Mid-strength beer

Mid-strength beer (beers with between 3.0% - 4.0% of alcohol by volume) has been one of the fastest-growing beer segments over the last 5 years. XXXX Gold is the highest-selling beer in this segment, and one of the highest-selling beers in Australia as at July 2014.

Light beer and low-carbohydrate beer

Light beer (beers with between 1.0% - 3.0% of alcohol by volume) represented about 3.0% of industry revenue in 2014-15. Light beer's popularity has suffered from the growing popularity of other alcoholic beverages, such as wine and cider, and this category is declining as consumers switch from light beer to mid-strength and low-carbohydrate beers.

Pure Blonde, made by CUB, is the category leader in this segment.

Premium Beer

Premium beer (including full-strength premium international and domestic beers) accounts for about 24.4% of industry revenue, and grew at a compound annual rate of more than 10% over the past 5 years.

Many major industry players produce leading international premium brands locally under contract. For example, Lion Nathan brews Stella Artois, Heineken and Beck's under licence, while CUB brews Peroni and Pilsner Urquell and Coopers distributes Carlsberg and Kronenbourg in Australia.

Craft Beer

The Craft Beer Industry Association defines an Australian craft brewer as being based in Australia producing less than 40 million litres of beer per annum.

However, major industry players have made inroads into this product segment in the past 5 years, with Lion Nathan acquiring Little World Beverages (owner of craft brewers White Rabbit and Little Creatures) in 2012, Asahi acquiring Mountain Goat in 2015, and SABMiller Beverage Investments Pty Ltd moving to expand production and distribution of its craft beer brands, such as Fat Yak. In December 2014, Coca-Cola also started to produce the craft beer range Yenda in Australia, in a joint venture with Casella Wines.

Some reports suggest that craft varieties, which are sold at a premium, are growing at approximately 10% a year, with a strong demand for craft beer encouraging more micro-brewers to enter the industry.

4.1.3 Beer Industry in China

Overview

China is expected to become the largest beer market in the world by sales value in 2017, with analysts primarily attributing the expansion to a rise in disposable income.

According to the National Bureau of Statistics of China, since 2010, total revenue for the beer industry in China has been increasing by an average of 6.8% per year, totaling US\$32.8 billion (A\$46 billion) in 2015.

Supply and Demand of Beer in China

According to the National Bureau of Statistics of China, the beer supply in China has been increasing at an average annual rate of 2.5% in the five years through 2015. While effective manufacturing costs have made bottled beer the largest product segment in the industry, Chinese consumer preference also favours canned beers, as canned beer tends to be cheaper than bottled beer and is perceived to be more convenient and safer for outdoor use.

Per capita consumption of beer in China is relatively low compared with its peers. Recent estimates put Chinese per capita consumption of beer at only half that of its neighbors, Japan and South Korea, while merely only one-fifth of developed countries such as the United States. However, according to the National Bureau of Statistics of China, per capita beer consumption has increased by 7.6% annually over the past five years.

Beer, hard cider, and flavored alcoholic beverages dominate the Chinese alcoholic beverage sector, accounting for approximately 90% of the market's sales by volume in 2009 and 2010. Standard lager is the preferred beer in China. While growth in domestic mass-production beers slowed in 2015, analysts expect further growth in "premium" beers, such as craft beers or international beers.

Demand for domestic beer brands and locally produced international beer brands far outstrip the demand for imported beer in China, with competing imported beer estimated to comprise a mere 1% of the overall market for beer in China. The preference for domestic beer brands and locally produced international beer brands may be attributed to a number of factors, including the relatively lower price point of local brands, greater brand awareness of local brands in the low-end market for beer, marketing approaches that are tailored to the local market and large sales and distribution networks.

4.2 Competitor Activity

4.2.1 Competitor Activity in China

Due to the prevalence of protectionist government policies in the 1990s, the Chinese beer market was traditionally highly fragmented, with competition primarily occurring at the provincial and regional level. Since then, the major Chinese beer companies have begun acquiring competing leading beer companies as well as establishing additional production facilities in different regions across China.

Some of the major Chinese beer companies, most notably Tsingtao Brewery Co and China Resources Snow Breweries, originally turned to foreign capital to fund their transition from regional operations into an integrated national market. The beer market in China is now relatively concentrated, with five companies (SABMiller/China Resources Snow Breweries, Tsingtao Brewery Co, Anheuser-Busch InBev, Beijing Yanjing Brewery and Carlsberg) monopolizing 80% of China's domestic beer market. These companies have not only expanded their production scope but have also acquired other small players in the industry to enlarge their market share and promote their brands in China.

According to EuroMonitor data, Snow is the most popular beer brand in China, followed by Tsingtao, Yanjing, Harbin and Laoshan. Meanwhile, in terms of sales, China Resources Snow Breweries is the largest beer company in the country, followed by Tsingtao Brewery Co, Belgium-headquartered Anheuser-Busch InBev, Beijing Yanjing Brewery and Danish brewing company Carlsberg.

Pursuant to the China Supply Agreement, Company has engaged Jinxing to produce Broo Premium Lager for the Company in China. Jinxing is an established beer manufacturer in China that has an annual production capacity of 2 million tonnes of beer (equivalent to approximately 200 million cases of beer per annum), employs 6,000 staff, and has won numerous awards for its contribution to China's national beverage industry.

Additionally, pursuant to the China Distribution Agreement, the Company has engaged Henan Liquor to distribute Broo Premium Lager in China through its traditional distribution channels and its 'Liquor Easy' alcohol stores. There are now approximately 260 Liquor Easy outlets located in Henan province and Beijing.

Therefore, despite the prevalence of well-established competitor brands in the Chinese beer market, the Company believes that its contractual arrangements with Jinxing and Henan Liquor will provide the Company with sufficient production capacity, and sufficient distribution outlets, to enable the Company to meet demand that may be generated for its Products in China.

4.2.2 Competitor Activity in Australia

The beer industry in Australia currently contains a large number of boutique breweries or microbreweries and a relatively small number of companies that dominate the national market.

Whilst most of the Australian market is controlled by Lion Nathan and CUB, the increasing dominance of Coles and Woolworths in the retail sector gives these retailers a competitive advantage in marketing their own private-label beverages.

Barriers to entry in the beer market include significant sunk costs, including the cost of a brewery site and manufacturing facilities, existing brand loyalty and control over distribution channels.

Competition from imports has also increased, with Roy Morgan reporting that in the 2009-2013 period, the proportion of Australians who drank imported beer in any given four weeks grew from 14% to 17%.

4.2.3 Examples of Historical Trade Sales Activity in Australia

As noted earlier, the Australian beer industry is characterised by a relatively small number of companies that dominate the national market. This has been, in part, due to a recent trend of market consolidation experienced in the Australian beverage industry, and in particular the craft beer industry. For instance several notable recent transactions that have occurred in the industry include the following:

- In September 2015, Asahi Holdings (Australia) bought a 100% ownership stake in Mountain Goat Beer.
- In June 2012, Lion Nathan acquired Little World Beverages, the company behind Little Creatures and White Rabbit beers, in a takeover deal that valued Little World Beverages at \$380 million.
- In December 2011, SABMiller acquired Foster's Group, which includes brands such as VB, Cascade, Crown Lager and Carlton Draught, for \$12.3 billion.
- In August 2011, Asahi Holdings (Australia) purchased Independent Liquor (now Independent Distillers) for \$1.3 billion. Subsequently, in April 2013, Independent Distillers purchased the Victorian craft beer brand, Cricketers Arms.
- In addition, Coopers, which is currently the largest independent brewery in Australia, was the target of an unsuccessful \$420 million takeover bid by Lion Nathan in 2005.

Thus, the Board believes that the level of M&A activity in this sector serves to demonstrate the strength of the industry that the Company operates in and is a testament to the perceived quality of beer products deriving from Australia.

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5. Board and Corporate Governance

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5. Board and Corporate Governance

5.1 Directors' Profiles

Mr Kent Grogan

(Chairman and Executive Director)



Kent Grogan is the executive director of the Company and holds the Chairman position within the Company.

Kent founded the Business in 2009 and has been managing all facets of the Business since then, in his capacity as an executive director of the Company.

Kent is the creator of the Broo Premium Lager and Australia Draught Beer brands, and has been instrumental in developing the commercial strategy and marketing initiatives for the Company since the launch of the Business.

Kent is also a director of the Broo Group companies.

Mr Geoff De Graaff

(Non-Executive Director)



Geoff has built and managed a range of successful businesses across the technology and communications sector.

Geoff was the founding member of the Telstra Licensed Shop channel, and after years of success in the retail space, was instrumental in the development and creation of the Telstra Business Centres.

Geoff's businesses have achieved several awards including awards for Outstanding People Development and Partner of the Year.

Geoff was previously the CEO of the communications arm of Leading Edge Group, a company which conducted operations in Australia, New Zealand and the UK. Geoff was also a board member of the Leading Edge group of companies.

Geoff has a solid background in management, sales and marketing. Geoff has a passion for commercial and multi residential development, and been involved in a number of large projects over the years.

Mr Mathew Boyes
(Non-Executive Director)



Mathew Boyes is a Chartered Accountant and a partner at Harper Group.

Mathew has been a non-executive director of the Company since 2011.

Mathew completed his Bachelor of Commerce from the Deakin University and was admitted as a Chartered Accountant in 1999, becoming a Chartered Accountant Financial Planning Specialist in 2010 and a SMSF Specialist Advisor with the Self Managed Super Fund Association in 2011.

Mathew has over 15 years' experience in accounting and professional services, with a strong track record of assisting clients with the operation of their businesses and financial affairs. As a result, Mathew brings substantial professional experience that will be valuable for the management of the Company.

Mr Phillip Grundy
(Proposed Non-Executive Director)



Phillip is to be appointed as a non-executive director of the Company following completion of the Offer.

Phillip Grundy is a director at Pointon Partners Lawyers, specialising in Corporate law and Mergers & Acquisitions.

Phillip has acted as a legal advisor to many ASX-listed public companies across a broad range of industry sectors. He has advised several Australian and international companies in relation to ASX-listings, initial public offerings, backdoor listings, capital raisings, corporate takeovers, continuous disclosure requirements, corporate governance, Corporations Act and the Listings Rules compliance, and general commercial transactions.

He also previously worked for Chen & Co Law Firm in Beijing (2006), and has assisted several clients with China-related transactions. In addition, Phillip advises a number of international companies in relation to inbound Australian investment, mergers and acquisitions, capital raisings in the Australian market, and cross-border transactions.

Phillip holds a Masters of Laws (Commercial Law) from Monash University, a Bachelor of Laws (Hons) and Bachelor of Arts from Deakin University.

Phillip will bring valuable experience to the Board in his capacity as a non-executive director of the Company.

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5.2 Head Brewer

Denis Coldebella

Denis Coldebella is the head brewer of the Company.

Denis has worked with the Company as head brewer for the past 5 years, and is instrumental in overseeing the production and brewing of the Company's beer products.

Previously, Denis worked for Carlton & United Breweries (Fosters Brewing) for 13 years, in roles encompassing research and development, quality control and quality assurance, and yeast propagation. He also spent 9 years working as Production and Quality Assurance Manager at Geelong Brewing Company, and spent 10 years as General Manager at Southern Bay Brewing which was responsible for contract manufacturing of beer products for a number of companies.

Denis' academic qualifications include a Bachelor of Science from Latrobe University, majoring in Microbiology and Biochemistry.

5.3 Company Secretary

Justyn Stedwell

Justyn Stedwell is a professional company secretary, with over 8 years' experience as a company secretary of ASX-listed companies, including biotechnology, agriculture, mining and exploration, information technology and telecommunications.

Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting from Deakin University and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

He is currently company secretary at several ASX-listed companies, including Axxis Technology Group (ASX:AYG), Motopia Ltd (ASX:MOT), Rhinomed Ltd (ASX:RNO), Imugene Ltd (ASX:IMU), Australian Natural Proteins Ltd (ASX:AYB), Rectifier Technologies Ltd (ASX:RFT), Lanka Graphite Ltd (ASX:LGR) and WONHE Multimedia Commerce Ltd (ASX:WMC).

5.4 Disclosure of Directors and Company Secretary's interests (Directors' interests)

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in which he is a partner in connection with the formation or promotion of the Company.

Prior to the Offer, the Directors, Company Secretary and Proposed Director had relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options
Kent Grogan	413,425,000*	41,342,500*
Mathew Boyes	500,000**	2,000,000**
Geoff de Graaff	50,753,140***	10,000,000***
Proposed Director	Shares	Options
Phillip Grundy	150	5,000,000
Company Secretary	Shares	Options
Justyn Stedwell	Nil	Nil

*Kent Grogan has a relevant interest in 413,425,000 Shares, comprising of 412,425,000 Shares held by his controlled entity, Groges Holdings Pty Ltd and 1,000,000 Shares held in his personal capacity, and 41,342,500 Options held by Groges Holdings Pty Ltd.

** Mathew Boyes has a relevant interest in 500,000 Shares and 2,000,000 Options have been issued to Mench Investments Pty Ltd, an entity controlled by Mathew Boyes.

***Geoff De Graaff has a relevant interest in 50,753,140 Shares and 10,000,000 Options held by his controlled entity, De Graaff Holdings Pty Ltd.

After the Offer has occurred, the Directors and Company Secretary will have relevant interests in Shares and Options as set out below:

Director	Shares	Options
Kent Grogan	413,425,000*	41,342,500*
Mathew Boyes	500,000**	2,000,000**
Geoff de Graaff	50,753,140***	10,000,000***
Proposed Director	Shares	Options
Phillip Grundy	150	5,000,000
Company Secretary	Shares	Options
Justyn Stedwell	Nil	Nil

*Kent Grogan has a relevant interest in 413,425,000 Shares, comprising of 412,425,000 Shares held by his controlled entity, Groges Holdings Pty Ltd and 1,000,000 Shares held in his personal capacity, and 41,342,500 Options held by Groges Holdings Pty Ltd.

** Mathew Boyes has a relevant interest in 500,000 Shares and 2,000,000 Options have been issued to Mench Investments Pty Ltd, an entity controlled by Mathew Boyes.

***Geoff De Graaff has a relevant interest in 50,753,140 Shares and 10,000,000 Options held by his controlled entity, De Graaff Holdings Pty Ltd.

(Directors' Remuneration)

The remuneration paid by the Company to each Director is as follows:

- Kent Grogan (Chairman and Executive Director): \$360,000 per annum (excluding superannuation)
- Mathew Boyes (Non-Executive Director): \$40,000 per annum (excluding superannuation); and
- Geoff de Graaff (Non- Executive Director): \$40,000 per annum (excluding superannuation).

The remuneration proposed to be paid by the Company to the Proposed Director is as follows:

- Phillip Grundy (Non-Executive Director): \$40,000 per annum (excluding superannuation).

Australia Draught Pty Ltd

Kent Grogan is the sole director of Australia Draught which is a wholly owned subsidiary of the Company.

Pursuant to Australia Draught Warrant Subscription Agreements executed in December 2013, Australia Draught has granted Warrants to the Warrant Subscribers as consideration for the Warrant Subscribers' provision of a finance facility to Australia Draught totalling \$575,000.

Assuming that all Warrants are exercised, the Warrant Subscribers will hold Shares constituting 11.5% of Australia Draught's issued share capital. However, the Warrant Subscribers have agreed to surrender the Warrants on 23 December 2016 upon the repayment of the finance facility and a one-off payment of \$115,000 to the Warrant Subscribers and have agreed to refrain from exercising or transferring the Warrants in the interim.

For more information about the Australia Draught Warrant Subscription Agreements and the finance facility provided to Australia Draught, please refer to section 9 of this Prospectus ('Material Contracts').

Broo (HK) Limited

The sole individual director of Broo (HK) Limited is Kent Grogan.

Broo (HK) Limited is a wholly owned subsidiary of the Company.

Broo China Co., Ltd

The Company intends to establish a subsidiary in China known as Broo China Co., Ltd (**ChinaCo**), registered as a Wholly Foreign Owned Enterprise, to undertake the sales and marketing activities for the Company in China once such activities commence following completion of the Offer.

It is intended that the ChinaCo will be a wholly owned subsidiary of HKCo, and Kent Grogan will be the director of ChinaCo.

5.5 Corporate Governance

(Role of the Board)

The Board is responsible for the following principal matters:

- the strategic direction of the Company;
- overseeing, negotiating and implementing the significant capital investments and material transactions entered into by the Company;
- management goals and the Company's policies;
- monitoring and reviewing the financial and operational performance of the Company;
- risk management strategy and review; and
- future expansion of the Company's business activities.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board;
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
3. Overseeing Planning Activities: the development of the Company's strategic plan;

4. Shareholder Liaison: ensuring effective communications with Shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;
5. Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company; and
6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.

The Board has adopted a Board Charter which sets out its responsibilities, processes and duties in greater detail.

(ASX Corporate Governance Principles and Guidelines)

The Board is committed to complying with the principles of best practice in corporate governance and intends to establish controls, mechanisms and structures to ensure that the Company will be able to comply with as many of the ASX Corporate Governance Principles and Recommendations, 3rd Edition (2014) as issued by the ASX Corporate Governance Council (ASX Principles and Recommendations), as the Board considers practicable taking into consideration the size of the Company's operations and its stage of development.

The Board will aim to conduct the Company's affairs in accordance with the ASX Corporate Governance Principles and Recommendations to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own corporate governance policies and practices using the ASX Principles and Recommendations as a guide.

The Board will review on an ongoing basis the corporate governance policies and structures that the Company has in place to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards that the Board is committed to.

Summary of Company's position in relation to ASX Principles and Recommendations:

ASX Principle and Recommendation

Company's Position:

Principle 1 –

Lay solid foundations for management and oversight

The Role of the Board

The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.

The Role of Management

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Company's officers and management have all entered into service contracts which outline the responsibilities of each of the Company's officers and of management personnel when performing their roles for the Company.

ASX Principle and Recommendation**Company's Position:****Principle 2 –**

Structure the Board to add value

Upon completing the ASX listing, the Company will have four directors, being Kent Grogan (Chairman and Executive Director), Geoff de Graaff (Non-Executive Director), Mathew Boyes (Non-Executive Director) and Phillip Grundy (Non-Executive Director).

The Board is of an appropriate size to effectively and efficiently oversee the management and operations of the Company, based on the present size of the Company's activities.

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. At the date of this Prospectus, the Company considers that none of the Directors are independent, as Kent Grogan is an executive director and substantial shareholder of the Company, Geoff De Graaff is a substantial shareholder of the Company, and professional accounting and legal service firms associated with Mathew Boyes and Phillip Grundy have been engaged by the Company in an advisory capacity in the last three years.

Following completion of the Offer and appointment of the Proposed Director, none of the directors will be independent. However, the Board is nevertheless considered to be of an appropriate size and structure for the current stage of the Company's development. The Board is responsible for the nomination and selection of directors. Given the size of the Company and the nature of its operations, the Board does not believe it to be appropriate to establish a nomination committee at this time. The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.

Following listing on the ASX, the Company will consider appointing additional directors to the Board as the Company's business activities and operations in Australia and internationally grow.

Principle 3 –

Act ethically and responsibly

Code of Conduct

The Board has established a Code of Conduct for the Board and Management.

The Board is committed to meeting its responsibilities under the Constitution and Corporations Act when carrying out their functions as company officers.

Diversity Policy

The Board has established a Diversity Policy in accordance with the requirements of the 2014 Amendments to the ASX Corporate Governance Principles and Recommendations, and will endeavour to, where appropriate and practicable, comply with this Diversity Policy as the Company develops and grows.

Securities Trading Policy

The Company has adopted a Securities Trading Policy for Directors, officers and employees.

The purpose of the Securities Trading Policy is to reduce the risk of insider trading and to ensure that the Company's Directors, officers and employees are aware of the legal restrictions on trading shares in the Company whilst in possession of undisclosed information concerning the Company.

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ASX Principle and Recommendation	Company's Position:
	<p>The Securities Trading Policy sets out when trading in the Company's shares by Directors, officers and employees is not permitted. Restrictions on trading are imposed by the Company to reduce the risk of insider trading and to minimise the chance that misunderstandings or suspicions arise that the Company's Directors, officers, or employees are trading while in possession of undisclosed information concerning the Company.</p> <p>Reporting Unethical or Illegal Practices</p> <p>The Company's policy requires employees who are aware of unethical or illegal practices to report these practices to management. Any reports of unethical or illegal practices are investigated by the Board. Reporters of unethical practices may remain anonymous.</p>
<p>Principle 4 – Safeguard integrity in corporate reporting</p>	<p>The Company has established an Audit and Risk Committee which shall be responsible for monitoring and reviewing financial reporting by the Company.</p> <p>The Company has adopted a Charter for the Audit and Risk Committee which sets out the committee's responsibilities, procedures, guidelines and composition.</p>
<p>Principle 5 – Make timely and balanced disclosure</p>	<p>The Company has adopted a Communication and Disclosure Policy to ensure compliance with the Listing Rules disclosure requirements.</p> <p>To comply with the Listing Rules, the Company intends to immediately notify the ASX of information:</p> <ul style="list-style-type: none"> • concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; or • that would, or would be likely to, influence persons who commonly invest in securities. <p>The Communication and Disclosure Policy includes processes designed to ensure that Company information:</p> <ul style="list-style-type: none"> • is disclosed in a timely manner; • is factual; • does not omit material information; and • is expressed in a clear and objective manner that allows the input of the information when making investment decisions. <p>The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. Accordingly, in following and adhering to its Communications and Disclosure Policy the Company will comply with its continuous disclosure obligations.</p>
<p>Principle 6 – Respect the rights of security holders</p>	<p>The Board is committed to ensuring that the Company's Shareholders receive information relating to the Company on a timely basis and shall endeavour to keep Shareholders well informed of all material developments of the Company.</p>

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ASX Principle and Recommendation
Company's Position:

	<p>The Board has adopted a Communications and Disclosure Policy, and as part of this policy, will ensure that all relevant announcements and documents are published on the Company's website in a prompt fashion.</p> <p>The Company will respect the rights and entitlements of the Company's Shareholders under the Constitution and the Corporations Act.</p>
Principle 7 – Recognise and manage risk	<p>In recognition of the Company's commitment to implement and improve its internal controls and risk management framework, the Company has established an Audit and Risk Committee which shall be responsible for monitoring, identifying and managing risks, and ensuring that these risk identification and management procedures are implemented and followed.</p> <p>The Audit and Risk Committee has adopted a Charter.</p> <p>The Company has also adopted a Risk Management Policy designed to ensure:</p> <ul style="list-style-type: none"> • all major sources of potential opportunity for harm to the Company (both existing and potential) are identified, analysed and treated appropriately; • business decisions throughout the Company appropriately balance the risk and reward trade off; • regulatory compliance and integrity in reporting is achieved; and • the Company's good standing with its stakeholders continues.
Principle 8 – Remunerate fairly and responsibly	<p>The Board is responsible for the Company's remuneration policy and has adopted a Nomination and Remuneration Policy which outlines the processes by which the Board shall review officer and management remuneration. The Company has provided disclosure of a summary of its remuneration policies for the Company's officers in this Prospectus.</p> <p>The Company is committed to remunerating its officers and executives fairly and to a level which is commensurate with their skills and experience and which is reflective of their performance. Further disclosure of officer and executive remuneration will be made in accordance with the Listing Rules and the Corporations Act.</p>

5.6 Substantial Shareholders

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue in the Company:

Holder	No. of Shares	% (undiluted)
Groges Holdings Pty Ltd*	412,425,000*	74.24%
De Graaff Holdings Pty Ltd**	50,753,140**	9.14%

* Groges Holdings Pty Ltd is wholly owned by Kent Grogan, the Chairman and Executive Director of the Company.

** De Graaff Holdings Pty Ltd is a company associated with Geoff De Graaff, a Non-Executive Director of the Company.

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6. Risk Factors

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6. Risk Factors

There are a number of risk factors that may have a material adverse effect on the Company's future operating and financial performance.

The Company's activities in Australia are not currently profitable, and the Company is currently running at a loss. Similarly, as the Company has not yet commenced operating activities in China, its underlying business model in China and the sustainability of such business model is uncertain. Therefore, the Shares to be issued pursuant to this Prospectus are to be considered a speculative investment.

The following summary explains some of the risks associated with investment in the Company and which may impact upon the financial performance of the Company. This section refers to risks which are specific to the Company and the industry and jurisdiction in which it operates, and also details general investment risks which may affect the Company and an investment in the Company. However, potential investors should read this Prospectus in its entirety and consult their professional advisers before applying for Shares under this Prospectus. The list of risk factors outlined here is not exhaustive.

Neither the Company, nor its Directors nor any of its professional advisers give any form of guarantee on future dividends, return on capital or the price at which the Shares might trade on the Australian Stock Exchange. Investors should carefully consider the non-exhaustive list of risks associated with investing in the Company that are outlined below, and consult with their professional advisors before making an investment in the Company.

6.1 Company-Specific Risk Factors

(a) Manufacturing and Supply Risks

There are a number of risks associated with the activities carried out by the Company and Australia Draught, including:

Manufacturing Risks - Australia

- The Company and Australia Draught engage a third party contract brewer, to carry on such brewing and bottling. If the third party contract brewer experiences problems at its production facilities, is unable to maintain adequate manufacturing capacity, or adhere to product specifications and quality control standards, the Company's and Australia Draught's financial performance may be detrimentally affected. Similarly, if the prices charged by the third party contract brewer increases, the cost of manufacturing the Products would increase. To the extent the Company or its subsidiaries have not estimated the price of brewing and bottling the Products accurately, or to the extent that such prices vary from those forecasts, the amount paid by the Company or its subsidiaries to brew and bottle the Products may diverge from estimates, and result in a lower than forecast return on certain Products. If the third party contract brewer's brewing services become unavailable or the Company and Australia Draught are unable to secure such services on favourable terms after the expiry of the relevant contractual terms, the Company and Australia Draught may face difficulties in locating a substitute contract brewer and may be unable to secure such substitute brewer on commercial terms or at all.
- Australia requires manufacturers to meet certain standards in terms of food and beverage safety, product quality, labour laws and other matters. Any failure by the third party contract brewer to meet these standards and to adhere to safety, labour or other laws, and the potential negative publicity relating to such failure, could harm the Company's business and reputation.
- In Australia, existing brewers compete with the Company to brew beer with the third party contract brewers. Competition would be intensified if a new or existing company increases the price that they are prepared to pay for brewing, bottling or beverage manufacturing. In this event, the Company's costs would be increased if it had to offer higher prices to retain the third party contract brewer as a contract brewer, or the supply of the

Products may be jeopardised if the third party contract brewer chose to brew and supply for competing beverage enterprises instead of or in priority to the Company or its subsidiaries, detrimentally affecting the Company's performance.

This risk is of limited application in China, as Broo is the only third-party brand which Jinxing provides supply and packaging services to. Production through the Jinxing's brewing and packaging facilities has been traditionally limited to Jinxing-brand beers, which are retailed in the Chinese domestic market. However, Applicants should note that Jinxing is not prevented by the China Supply Agreement from providing supply and packaging services to any other third party, but the Company has undertaken to source supply and packaging services in China exclusively from Jinxing during the term of the China Supply Agreement, subject to Jinxing complying with its obligations under the China Supply Agreement.

Manufacturing Risks - China

- The Company has engaged a third party contract brewer, Jinxing, to carry on such brewing and bottling. While Jinxing is a well-established brewing company in China and has significant production capacity, if Jinxing experiences problems at its production facilities or is unable to maintain adequate manufacturing capacity, it may be unable to provide the Company's China distributor, Henan Liquor, with delivery and supply of Broo Premium Lager in a timely manner. Similarly, if Jinxing is unable to meet the Company's product specifications or deliver Broo Premium Lager which is of merchantable quality, the financial performance and operating results of the Company may be adversely affected. If the prices charged by Jinxing increases, the cost of manufacturing Broo Premium Lager in China will increase, which may have an adverse effect on the Company's profitability.
- The Company is currently wholly reliant on Jinxing to carry out brewing of Broo Premium Lager in China, and such reliance carries counterparty risk. If Jinxing fails to perform its contractual obligations under the China Supply Agreement, production of the Broo Premium Lager products in China is likely to be disrupted, and the Company's financial performance may be adversely affected.
- If the China Supply Agreement with Jinxing or China Distribution Agreement with Henan Liquor are terminated or are not renewed at the expiry of their terms, the Company may not be able to procure a substitute brewer and/or distributor on favourable terms or at all, which may substantially interrupt supply and/or distribution of Broo Premium Lager in China. Pursuant to the China Supply Agreement, Jinxing has the sole discretion to accept or reject any application by the Company for an extension of the China Supply Agreement beyond its term. Conversely, if Henan Liquor has met its obligations under the China Distribution Agreement, it may extend the term for a further period of five (5) years, but the Company has no similar right to unilaterally extend the term. Any disruptions to supply and distribution may have an unfavourable impact on the Company's profitability and may adversely affect consumer demand for Broo Premium Lager in China and the Company's brand image in the Chinese market.
- China requires manufacturers to meet certain standards in terms of food and beverage safety, product quality, labour laws and other matters. Any failure by Jinxing to meet these standards and to adhere to safety, labour or other laws, and the potential negative publicity relating to such failure, could harm the Company's business and reputation.

Supply and Distribution Risk - Australia

- The Company and Australia Draught depend on third parties to transport and deliver the Products in Australia. Due to the fact that the Company does not have any independent transportation or delivery capabilities of its own in Australia, it is vulnerable to delays in transportation or delivery and increases in the cost of transportation and delivery services. Products which are fragile may be damaged during the delivery process. The Company or its subsidiaries may be unable to recover the cost of such goods, adversely impacting on the Company's financial performance.

In the Australian market, the Company and Australia Draught utilise retailers and hospitality providers, such as hotels, bars and pubs, to sell the Products to consumers. Generally, Australian distributors and retailers also sell alcoholic beverages that compete with the Products, and may give higher priority to competitors' products, adversely affecting sales of the Products. The Company and Australia Draught typically do not have written supply agreements or standing orders with retailers and hospitality providers, and therefore there is no assurance that such parties will continue to place orders with the Company or Australia Draught for the Products or that these parties will comply in part or wholly with the terms of any oral agreement for supply of the Products.

Supply and Distribution Risk - China

- The Company is currently reliant on Henan Liquor to carry out distribution of Broo Premium Lager in China pursuant to the China Distribution Agreement. While the China Distribution Agreement is non-exclusive, the Company has not engaged any further distributors or retailers to distribute Broo Premium Lager in China. Therefore, the Company is heavily reliant on contractual performance by Henan Liquor, which carries counterparty risk. If Henan Liquor fails to perform its contractual obligations under the China Distribution Agreement, distribution and sale of the Broo Premium Lager products in China is likely to be disrupted, and the Company's financial performance may be adversely affected. Likewise, if either the Company or Henan Liquor terminates the China Distribution Agreement, the Company may be unable to locate a substitute distributor on favourable terms or at all, which may unfavourably affect the distribution and sales of Broo Premium Lager in China, consumer perception or awareness of the Broo Premium Lager product and the economic viability of the Company's operations in China.
- Pursuant to the China Distribution Agreement between the Company and Henan Liquor, risk in the Broo Premium Lager products and all insurance responsibility for theft, damage or other loss in respect of such products shall pass to Henan Liquor upon delivery. The Company shall therefore bear the risk of products being damaged or spoiled during the delivery process, and, if the Company is unable to recover the cost of such goods, the Company's financial performance may be detrimentally affected.

(b) Consumer Demand

Consumer Demand - Australia

Australia Draught Beer has been retailed on a pilot basis in selected independent liquor outlets since 2014. While the Board notes that based on the sales at selected independent retailers, there has been continued growth in sales of Australia Draught Beer during this period. Production, sales and distribution of Australia Draught Beer have been very limited. Therefore there is no guarantee that there will be significant consumer demand for the Australia Draught Beer product once the product is launched on a wider basis.

Likewise, Australian consumers' demand for the Products will be subject to changes in consumer preferences and tastes. If the Company and Australia Draught are unable to develop new products to keep up with changing consumer preferences, or the flavour profile, pricing or quality of the existing Products do not suit Australian consumer preferences, consumer demand for the Products in Australia is likely to fall, adversely affecting profitability.

Consumer Demand – China

Broo Premium Lager will be a new product in the Chinese market, and there is no guarantee that Chinese consumers will take up the Broo Premium Lager product. There is an array of well-established Chinese and international brands and products which will be competing with Broo Premium Lager and the Broo brand in China. Broo Premium Lager may be unable to compete with established brands on pricing or quality, or its flavour profile may be unsuited to Chinese consumers' consumption preferences.

(c) Agricultural Factors

The supply of natural ingredients required for the manufacture of beer, such as hops, are subject to a variety of

agricultural factors beyond the Company's control, such as weather conditions, disease, pests and rainfall. To the extent that such agricultural factors in China or Australia adversely impact the quality and quantity of ingredients available for production of the Products, the Company's Australian contract brewers or Jinxing (as relevant) may have difficulty in securing a stable supply of such ingredients, adversely affecting their ability to manufacture the Products.

(d) Rise in Costs

Important raw materials for brewing beer include packaging (aluminium, glass, cardboard and kegs), malt, refined sugar, hops, water, preservatives and colourings. If the price of packaging or materials significantly increases, whether in Australia or in China, such costs may be passed on to the Company, adversely affecting the Company's profitability.

(e) Product Liability

Retailing beverages also carries an inherent risk of product liability, and the Company's subsidiaries may have to limit the retailing of the Products if the Company cannot successfully secure or renew product liability insurance or defend itself against product liability claims. The Company or its subsidiaries may not be able to obtain further product liability insurance, or may not be able to obtain insurance on commercially viable terms. Any product liability claims may disrupt the Company's business operations and may cause reputational harm by leading consumers to doubt product safety, quality and reliability of supply, adversely impacting the Company's financial performance.

(f) Regulation of Industry

The alcohol industry is highly regulated in Australia and China, and regulations govern many parts of the Company's and/or Australia Draught's operations, including sales, distribution, advertising, marketing and manufacturing. Any amendment to existing regulations or the enactment of new regulations may increase the cost of the Products, or hamper the ability of the Company and Australia Draught to advertise, market and sell the Products.

(g) Competition Risk

The Business is at a development stage and is not as established and long-standing as that of some of the Company's competitors, both in the Australian and Chinese markets. The Company's financial performance, market share and revenues may be adversely affected by the actions of its competitors, such as advertising initiatives or price discounting. The Company's competitors may have established a more desirable brand image than the Company or be more attuned to consumer preferences, industry trends or market perceptions. Therefore, the Company may not be able to successfully compete with more established brands.

(h) Concentration of Shareholding

As majority shareholder, Groges Holdings Pty Ltd, a company wholly owned by Chairman and Executive Director Kent Grogan, is in a position to exert considerable influence over the outcome of matters relating to the Company, including Board composition and the approval of significant corporate transactions (where they are not excluded from voting). While the interests of Groges Holdings Pty Ltd and other shareholders in the Company are likely to be consistent, there may be instances where such interests diverge.

The concentration of ownership may adversely affect the liquidity of the market for the Shares on the ASX, and any sale of the shares held by Groges Holdings Pty Ltd following the expiry of the escrow period (as outlined section 3.15) may adversely affect the market price of the Shares.

Likewise, Groges Holdings Pty Ltd will have a significant influence on any potential change in control of the Company whilst it remains a majority shareholder of the Company.

(i) Dilution of Shareholding in Australia Draught

As outlined in Section 9 (Material Contracts), pursuant to the Equity Warrant Deed Polls, the Warrant Subscribers have subscribed for 575,000 Warrants in Australia Draught. However, the Warrant Subscribers have agreed to surrender the Warrants on 23 December 2016 upon repayment of the finance facility and a one-off payment of \$115,000 to the Warrant Subscribers and have agreed to refrain from exercising or transferring the Warrants in the interim.

Nevertheless, the Warrants, if not relinquished for any reason and exercised in full by the Warrant Subscribers, would convert into such number of Shares that represent 11.5% of the shares in Australia Draught (disregarding the Warrants), and, in the event that a reorganisation of capital occurs, the parties shall make such amendments to the Equity Warrant Deed Polls to achieve this intention. Therefore, if the Equity Warrant Deed Polls are exercised in full, Australia Draught shall cease to be a wholly owned subsidiary of the Company, and any profits received by the Company from the sale of Australia Draught Beer may be diluted.

For more information about the Equity Warrant Deed Polls, the Australia Draught Warrant Subscription Agreements and the finance facility provided to Australian Draught, please refer to section 9 of this Prospectus ('Material Contracts').

(j) Lack of Brand Awareness

The Business is substantially dependent upon awareness and market acceptance of the Broo and Australia Draught brands by consumers.

Although the Company and Australia Draught have strived to establish market recognition for the Broo and Australia Draught brands in the Australian alcoholic beverage industry, it is too early in the product life cycle of the Broo and Australia Draught brands to determine whether the Products and Broo and Australia Draught brands will achieve and maintain satisfactory levels of acceptance, and sustained take up, by independent distributors and retail consumers. Likewise, the Company is a new entrant into the Chinese market, and there is no guarantee that Chinese consumers will take up the Broo brand in preference to more established brands.

While the Company and Australia Draught have started to build a brand profile in Australia, there is no guarantee that potential customers will respond to the brand profile, and no guarantee of the continued success of advertising and marketing campaigns. If one or more advertising or marketing campaigns fail, such failure is likely to adversely affect the Company and Australia Draught's profitability, future financial condition and product margins.

Likewise, while the Company anticipates that it will launch marketing and advertising campaigns in China to promote the Broo Premium Lager product, such campaigns may not lead to significant consumer uptake of Broo Premium Lager or may not assist with building the Broo brand profile in China.

(k) Intellectual Property

The Company's and Australia Draught's inability to protect their trademarks, designs and trade secrets may prevent the Company's and Australia Draught from successfully marketing the Products and competing effectively. Failure to protect the Company's and Australia Draught's intellectual property rights could harm their brands and reputation, adversely affecting their ability to compete effectively in the alcoholic beverage space.

While the Company and Australia Draught hold a range of trade marks registered (or pending registration) in Australia and other jurisdictions, as detailed in section 2.6 of this Prospectus, the Company is unable to provide any guarantee that such registration will provide adequate protection for the Company's and Australia Draught's.

In addition, there can be no assurance that other parties will not assert infringement claims against the Company or Australia Draught, and the Company or Australia Draught may have to pursue litigation against other parties to assert their rights. Any such claim or litigation could be costly and the Company and Australia Draught may lack the

resources required to defend against such claims. In addition, any event that would jeopardize the Company's or Australia Draught's proprietary rights or any claims of infringement by third parties could have a material adverse effect on the Company's and Australia Draught's ability to market or sell their brands, and profitably exploit the Products.

For more information about intellectual property assets and rights held by the Company and Australia Draught, please refer to Section 2.6 of this Prospectus.

6.2 General Investment Risks

Some of the general risks of investment which are considered beyond the control of the Company are as follows:

(a) The state of Australian, Chinese and international economies:

A downturn in the Australian, Chinese and/or the international economy may negatively impact the performance of the Company which in turn may negatively impact the value of securities in the Company.

Any deterioration in local economic conditions in Australia, China or wider regional economic conditions may have an adverse effect on the performance of the Company.

The Company's entitlement to revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence in Australia and China.

Unemployment rates, levels of personal disposable income and regional or local economic conditions may adversely affect consumer spending, decreasing demand for the Products. These factors may have an adverse effect on the Company's activities as well as its ability to develop and grow the Business.

(b) Changes to Government Policies and Legislative changes:

Government policy and legislative changes which are outside the control of the Company may also have a negative impact on the financial performance of the Company. This risk factor applies to government policy and legislative changes in China and Australia.

(c) Movements in local and international stock markets:

The price of stocks in a publicly listed company can be highly volatile and the value of a company's securities can be expected to fluctuate depending on various factors, including stock market sentiment, government policies, investor perceptions, economic conditions and market conditions which affect the alcoholic beverage industry. It is therefore possible that the Company's securities will trade at below the offer price.

(d) The Company's on-going funding requirements:

Further funding may be required by the Company to develop its business model and commercial activities. There is no guarantee that the Company will be able to raise the additional required funding on a timely basis, on favorable terms or that such further funding will be sufficient to enable the Company to implement its planned commercial strategy. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its research and development activities and its marketing activities, as the case may be, which may inhibit growth and development opportunities for the Business, and adversely affect the Business and financial condition of the Company and its performance.

Further, the Company may not be able to maintain access to capital markets in order to fund unforeseen expenditure or to undertake further development of the Products and Business generally.

(e) Investment Speculative

The Company is not currently profitable and is running at a loss. The production, sales and distribution of Australia Draught Beer products have been limited to a pilot program, and consumer demand for Australia Draught Beer is therefore uncertain. Moreover, the Company's business model in China is unproven, as production and distribution of Broo Premium Lager products in China is yet to commence.

The Company's underlying business model is therefore relatively unproven, and the profitability and sustainability of the business model is uncertain. An investment in the Company therefore constitutes a speculative investment.

(f) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions or significant investments in other companies or enterprises. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies or enterprises. Further, there is no guarantee that the Company will make any future acquisitions.

(g) Insurance Risk

The Company may, where economically practicable and available, endeavour to mitigate some business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy. Insurance against all risks associated with the Company's business operations is not always available and where available the cost may be prohibitive.

(h) Unforeseen expenses

The Company is not aware of any expenses that it will be required to incur in the two years after listing and which it hasn't already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities.

(i) Reliance on Key Personnel

Senior management and key personnel of the Company shall direct the Company's operations and provide strategic management. However, if key employees cease to be employed there may be a detrimental impact to the Company.

(j) Force Majeure Risk

Force majeure events, such as riot, war, invasion, act of foreign enemies, hostilities (whether war be declared or not), acts of terrorism, requisition or compulsory acquisition by any governmental or competent authority, earthquakes, flood, fire or other physical natural disasters and strikes or industrial disputes at a national level, may adversely affect the operations of the Company.

(k) Foreign Sales and Exchange Risk

International sales to be undertaken by the Company or its subsidiaries and subsequent operations will be subject to a number of risks inherent in selling and operating abroad. These include, but are not limited to, risks regarding:

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- currency exchange rate fluctuations;
- local and international economic and political conditions;
- disruptions to capital and trading markets;
- accounts receivable collection and longer payment cycles;
- difficulties in staffing and managing foreign operations;
- potential hostilities and changes in diplomatic and trade relationships;
- restrictive governmental actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties, quotas, customs duties and tariffs);
- changes in legal or regulatory requirements;
- the laws and policies of Australia and other countries affecting trade, foreign investment and loans, and import or export licensing requirements; and
- tax laws.

Changes in circumstances or market conditions resulting from these risks may restrict the Company's or its subsidiaries' ability to operate in an affected region and/or adversely affect the profitability of the Company's or its subsidiaries' operations in that region.

(l) Shareholder Dilution

In the future, the Company may opt to issue shares or other securities in connection with further capital raisings or acquisitions. While any future issues of securities will be subject to the Listing Rules and any applicable laws, shareholders' existing shareholdings in the Company may be diluted as a result of any such future issue of securities.

6.3 Risks Associated with Subsidiary Operating in China

(a) Political, economic and sovereign risks

As the Company will have business operations in China, it will be subject to those risks associated with operating in a foreign jurisdiction. Such risks can include, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, licensing, export duties, repatriation of income or return of capital, consumer health and safety, labour relations as well as government regulations that require the employment of local residents or contractors or require other benefits to be provided to local residents.

While China is currently relatively stable, there is no certainty that the political and economic conditions will remain stable. Any deterioration in political or economic conditions, including hostilities or terrorist activity, may adversely affect the Company's operations and profitability.

There is a risk that the government of China may change its policies regarding foreign investment, which may have an adverse impact on the Company's profitability.

(b) China legal environment

Due to uncertainties in the Chinese political and legal environment, the Company may be exposed to political and legal risks, adversely affecting the viability of its operations in China. Similarly, the Company may be exposed to

risks around contractual enforcement in China, as it has entered into the China Supply Agreement and the China Distribution Agreement.

Although the Chinese legal system is well-established, it may be less certain than legal systems in other countries. This uncertainty could lead to the following risks:

- difficulties in obtaining effective legal redress for breaches of laws or regulations or in respect of property rights;
- inconsistencies between and within laws, regulations, decrees, orders and resolutions, or uncertainty in the application of laws and regulations;
- difficulties in enforcing foreign judgments and arbitral awards, particularly against state bodies; and
- lack of jurisprudence and administrative guidance on the application of laws and regulations, particularly with respect to taxation and proprietary rights.

Therefore, the Company may have difficulty in obtaining effective legal redress in circumstances where the Company or its subsidiaries are adversely affected by a breach of law or regulation.

(c) Foreign Investment Risk

There are substantial uncertainties regarding the interpretation and application of Chinese laws, rules and regulations governing foreign investment in the Business.

The official interpretation of Chinese laws, regulations and rules may be uncertain, subject to retrospective application or otherwise subject to change. New laws, regulations and rules may impose additional requirements on the Business, ChinaCo or the Broo Group. There is therefore a risk that Chinese regulatory authorities may deem ChinaCo or the Broo Group to be in violation of existing or future Chinese laws, regulations or rules. Likewise, ChinaCo or the Broo Group may fail to obtain or maintain requisite permits and approvals.

Any such violations may lead to Chinese authorities revoking or restricting related party transactions between the Broo Group entities, requiring the Broo Group or ChinaCo to restructure their operations and ownership structure, prohibiting or restricting the use of funds from the Offer to finance the Business operations in China or revoking business or operating licences of ChinaCo, adversely affecting the Company's operations and financial position.

(d) Proposed changes to PRC Foreign Investment Laws

On 19 January 2015, the Chinese Ministry of Commerce (**MOFCOM**) issued the Foreign Investment Draft Law (**'Draft Law'**) for public comment. Pursuant to the Draft Law, the following material changes to Chinese foreign investment laws are contemplated:

- (a) Pursuant to the Draft Law, an entity will be treated as a foreign investment entity (**'FIE'**) where foreign individuals hold de-facto control over the entity. Such control is evinced if:
 - i. non-PRC individuals have decisive influence over the operations, personnel, finance or technology of the entity, whether such influence is via contractual arrangements, share investments or trust structures;
 - ii. non-PRC individuals hold at least 50% of voting rights at the shareholder level, whether directly or indirectly;
 - iii. if non-PRC individuals hold less than 50% of voting rights at shareholder level, but:
 - A. over 50% of the seats of the board of directors of the entity (or similar decision-making body) are directly or indirectly appointed by non-PRC individuals;
 - B. non-PRC individuals are able to nominate nominees to hold over 50% of the seats of the board of directors of the entity (or similar decision-making body); or
 - C. the voting rights held by non-PRC individuals may carry a decisive influence over the board of directors of the entity (or similar decision-making body).

If the criteria set out in (a) above are satisfied, the entity will be deemed to be a FIE and be subject to the Draft Law.

- (b) It is currently proposed that a list of “restricted” and “prohibited” industries will be circulated by the State Council of the PRC (**‘Draft List’**). FIEs cannot operate in “prohibited” industries, and FIEs which operate in “restricted” industries must obtain approval from MOFCOM. However, FIEs which do not operate in industries cited in the Draft List will no longer be required to obtain approval from MOFCOM but, rather, will simply be required to register their ownership status with MOFCOM.

Investors should note that ChinaCo has not yet been incorporated, but it is intended that ChinaCo will be incorporated in China as a wholly owned subsidiary of HKCo following the Offer. If the Draft Law is adopted in its current form, it is possible that ChinaCo will be deemed to be a FIE and therefore be subject to the Draft Law.

As at the date of this Prospectus, the content of the Draft List is uncertain.

If the Draft List adopts the categorisation of “restricted” and “prohibited” industries adopted in the 2015 Foreign Investment Catalogue, and ChinaCo is considered to be a FIE, ChinaCo will not be classified as operating in a “restricted” or “prohibited” industry under the Draft List, and will simply be required to register with MOFCOM.

However, if the categories of “restricted” and “prohibited” industries in the Draft List diverge from those in the 2015 Foreign Investment Catalogue, it is possible that ChinaCo could be classified as operating within a “restricted” or “prohibited” industry under the Draft List.

In the event that ChinaCo is treated as a FIE and the Business appears to be in the “restricted” or “prohibited” category of the Draft List, then ChinaCo may be required to cease operations in the business activity or segment prohibited under the Draft List or dispose of or restructure (through a joint venture or other arrangement required by the Draft List) the business activity or segment restricted under the Draft List.

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7. Financial Information

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Financial Information

This Section contains a summary of the historical financial information prepared by the Directors (together the **“Financial Information”**).

The Financial Information comprises the:

- Consolidated historical income statements for FY2014, FY2015 and FY2016 (the Historical Results);
- Consolidated historical cash flow statements for FY2014, FY2015 and FY2016 (the Historical Cash Flow Statements); and
- Pro forma consolidated historical balance sheet as at 30 June 2016 (the Pro Forma Balance Sheet).

All amounts disclosed in the Financial Information are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollars.

Basis of preparation and presentation of the Financial Information

The Directors are responsible for the preparation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board (“IASB”).

The Financial Information is presented in an abbreviated format and does not contain all of the disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Company’s principal accounting policies are set out at the end of this section.

Preparation of Financial Information

The Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Financial Information has been derived from the audited consolidated financial statements for FY2014, FY2015 and FY2016. The audits for FY2014 and FY2015 financial periods were conducted by Connect Audit. A qualified audit opinion was issued for each year in relation to inventory existence as the auditor was unable to attend the inventory count or perform alternate procedures. An emphasis of matter in relation to going concern was included in the auditor’s report for each of these financial years.

The audit for FY2016 was conducted by ShineWing Australia. A qualified audit opinion was issued in relation to the opening inventory existence as the auditor was unable to attend the inventory count or perform alternate procedures. An emphasis of matter in relation to going concern was included in the auditor’s report.

The Financial Information included in this Prospectus has been reviewed, but not audited, by ShineWing Australia Corporate Finance Pty Ltd. Investors should note the scope and limitations of the Investigating Accountant’s Report.

Please note that the Financial Information for FY2014 and FY2015, where indicated, represents restated historical financial information which has been adjusted following the discovery of several misstatements. Full details of the quantum of such restatements are included at the end of this section. Additionally, a summary of the nature, quantum and effect on the Financial Information of several significant adjustments to the historical financial information is as follows:

- Trademarks: the “restated” Financial Information for FY2014 and FY2015 includes adjustments necessary to rectify the incorrect amortisation of the Company’s trademarks, which error resulted in an increase in the Company’s amortisation expenses (in the income statements) and decreased the book value of the trademarks (in the balance sheets). Given that the trademarks held by the Company have been assessed to have an indefinite useful life they cannot be amortised but instead are periodically tested for impairment. The restated financial information includes adjustments to reduce depreciation and amortisation expense by \$7,297 in FY2014 and \$13,946 in FY2015. The carrying value of the trademarks was increased by \$29,245 in FY2014 and \$43,191 in FY2015. Amortisation relating to FY2012 and FY2013 was also adjusted.
- Internal transactions: the “restated” Financial Information for FY2015 includes an adjustment necessary to correctly eliminate, on consolidation, several intercompany sales and payments that occurred in FY2015. The adjustment resulted in a \$102,500 reduction in both revenue and cost of sales with no overall net financial performance and position of the group during FY2015.
- Reversed transactions: The “restated” Financial Information for FY2014 and FY2015 include adjustments necessary in order to accurately reflect the reversal of a provision for doubtful debt relating to a sales transaction that was recognised in FY2013. The sales transaction was initially recognised in the historical income statement for the year ended 30 June 2013 and was subsequently reversed in FY2013 as a result of the review during the preparation of the Prospectus. The “restated” financial information includes adjustments to reduce the impairment of receivables expense by \$230,373 in FY2014 and \$16,202 in FY2015. This adjustment resulted in \$16,202 reduction in trade receivables at FY2014, and had no impact on net assets for FY2015.
- Share based payments: The “restated” Financial Information for FY2014 includes an adjustment necessary in order to accurately reflect the value of a share based payment in accordance with AASB 2 – Share Based Payments. The “restated” financial information includes a \$45,455 reduction in administration expense. This adjustment resulted in a \$50,000 reduction in issued capital and a \$4,545 reduction in GST receivable during FY2014.
- Reversal for goods never received: The “restated” Financial Information for FY2015 includes an adjustment necessary in order to reverse an expense recognised where the goods were never received. The overall impact of this adjustment was a \$20,222 reduction in cost of sales during FY2015. This adjustment resulted in a \$22,244 reduction in trade and other payable and \$2,022 reduction in GST receivable during FY2015.
- Reclassification of assets: Plant and equipment valued at \$41,375 was incorrectly disclosed as inventory at FY2015. This has been amended in the FY2015 restated statement of financial position, resulting in a \$41,375 increase in the value of plant and equipment and a \$41,375 decrease in the value of inventory during FY2015. Please note that the restated financial information in both in FY2014 and FY2015 includes other insignificant adjustments and reclassifications to ensure consistent disclosure with the FY2016 financial information.

It is noted that the restated audited financial information for FY2014 and FY2015 were not audited, although reviewed by ShineWing Australia Corporate Finance Pty Ltd.

It is also noted that the restatements to the financial information for FY2015 was subsequently audited by ShineWing Australia when it audited the financial statements for FY2016, which was derived from the restated financial statements for FY2014 and FY2015.

Investors should note that, given the limited scope of the Investigating Accountant’s Report, there is no guarantee that all material errors in the Financial Information for FY2014 and FY2015 have been identified and rectified, although none has been identified at the date of this Prospectus, apart from the misstatements described above, which have been rectified in the restated Financial Information FY2014 and FY2015.

Investors should also note that past results are not a guarantee of future performance.

Consolidated historical income statements

Historical Results.

The table below sets out the Historical Results for FY2014, FY2015 and FY2016.

Historical Results			
\$	*Restated Audited FY2014	*Restated Audited FY2015	Audited FY2016
Revenue	681,244	722,571	516,334
Cost of Sales	814,208	640,156	693,341
Gross Profit/(Loss)	(132,964)	82,415	(177,007)
Administration Costs	577,066	930,324	2,269,903
Marketing & Promotion	148,999	100,412	60,064
Other Costs	31,857	13,961	14,581
Other income	65,891	5,422	0
EBITDA	(824,995)	(956,860)	(2,521,555)
Depreciation & Amortisation	6,299	6,411	37,756
EBIT	(831,294)	(963,271)	(2,559,311)
Net interest expense	76,166	108,159	93,186
(Loss)/Profit before tax	(907,460)	(1,071,430)	(2,652,497)
Income tax expense	0.0	0.0	0.0
NPAT	(907,460)	(1,071,430)	(2,652,497)

*For more information about the background to and the basis for such restatements, please refer to the section titled 'Preparation of Financial Information' on page 82 of this Prospectus.

Pro Forma Historical Balance Sheet

The table below sets out the adjustments that have been made to the audited historical balance sheet as at 30 June 2016 to prepare the Pro Forma Balance Sheet for the Company. These adjustments reflect certain pro forma adjustments including the impact of the operating and capital structure that will be in place following completion of the Offer as if it had occurred or were in place as at 30 June 2016.

	Pre IPO Balance Sheet (1)	Pro Forma of the Offer-MIN (2)	Balance Sheet	Pro Forma of the Offer-MAX (3)	Balance Sheet
As at 30 June 2016					
Current Assets					
Cash and cash equivalents	736,053	9,331,741	10,067,794	13,503,916	14,239,969
Debtors	72,394		72,394		72,394
Prepayments	74,428	(39,271)	35,157	(39,271)	35,157
Inventory	95,908		95,908		95,908
Total Current Assets	978,783	9,292,470	10,271,253	13,465,645	14,443,428
Non Current Assets					
Plant & Equipment	208,737		208,737		208,737
Intangibles	184,573		184,573		184,573
Other					
Total Non Current Assets	393,310		393,310		393,310
Total Assets	1,372,093	9,292,470	10,664,563	13,465,645	14,836,738
Current Liabilities					
Creditors	323,621		323,621		323,621
Borrowings (4)	597,055	(575,000)	22,055	(575,000)	22,055
Employee Benefits	7,717		7,717		7,717
Total Current Liabilities	928,393	(575,000)	353,393	(575,000)	353,393
Non Current Liabilities					
Borrowings	183,201		183,201		183,201
Employee Benefits	699		699		699
Total Non Current Liabilities	183,900		183,900		183,900
Total Liabilities	1,112,293	(575,000)	537,293	(575,000)	537,293
Net Assets	259,800	9,867,470	10,127,270	14,039,645	14,299,445
Share Capital	6,278,078	10,262,374	16,540,452	14,467,340	20,745,418
Options Reserve (5)	-	36,205	36,205	36,205	36,205
Retained Losses (4) & (5)	(6,018,278)	(431,109)	(6,449,387)	(463,900)	(6,482,178)
Total Equity	259,800	9,867,470	10,127,270	14,039,645	14,299,445

Notes:

1. Reflects the reported balance sheet of the Company as at 30 June 2016 per audited financial statements. For more information about the background to and the basis for such restatements, please refer to the section titled 'Preparation of Financial Information' on page 82 of this Prospectus.
2. Share capital under the Minimum Subscription increases by \$10.5 million as a result of that portion of the proceeds of the Offer which is received by the Company through the issue of Shares under this Prospectus offset by the IPO transaction costs of \$237,626 applied against equity and \$456,896 to be recognised as expenses.
3. Share capital under the Maximum Subscription increases by \$15.0 million as a result of that portion of the proceeds of the Offer which is received by the Company through the issue of Shares under this Prospectus offset by the IPO transaction costs of \$532,660 applied against equity and \$489,687 to be recognised as expenses.
4. Pursuant to the Australia Draught Warrant Subscription Agreements, Australia Draught agreed to repay a loan of \$575,000 on 23 December 2016. Under the Facility Arrangement as part of the Australia Draught Warrant Subscription Agreements, Australia Draught also agreed to pay an additional amount of \$115,000 to the Warrant

Subscribers in consideration for them agreeing to relinquish their rights to subscribe for shares in Australia Draught equal to 11.5% of the issued capital of Australia Draught.

5. The Company has issued 60,432,500 Options to key management personnel. These Options vested immediately, have a term of 48 months from the date of issue and an exercise price of \$0.30 (30 cents). A valuation of the Options has been performed which valued the Options at 0.06 cents per Option, giving an overall valuation of \$36,205.

a) Indebtedness

Following completion of the Offer, the Company expects to have a net cash position of \$14,034,713 if the Maximum Subscription is achieved, and \$9,862,538 if the Minimum Subscription is attained. The table below sets out the net cash position of the Company at 30 June 2016, before and after completion of the Offer.

	Audited 30 June 2016 \$ (before completion of the Offer)	Pro Forma – Minimum Subscription (after completion of the Offer)	Pro Forma – Maximum Subscription (after completion of the Offer)
Current borrowing	597,055	22,055	22,055
Non-current borrowings	183,201	183,201	183,201
Cash and cash equivalents	736,053	10,067,794	14,239,969
Net cash	(44,203)	9,862,538	14,034,713

b) Adjustments to Cash and Cash Equivalents

Following completion of the Offer, the Company expects its cash and cash equivalents to be adjusted in the following manner.

	Minimum Subscription	Maximum Subscription
Gross receipts on issue of shares	10,500,000	15,000,000
Cost of capital raising (net of amounts already paid)	(478,259)	(806,084)
Settlement of convertible notes and warrants	(690,000)	(690,000)
Net increase in cash	9,331,741	13,503,916

The cost of capital raising above is made of the following expected expenditures:-

	Minimum Subscription	Maximum Subscription
Legal fees	159,500	159,500
Investigating accountant fees	86,900	86,900
Lead manager fees	107,625	153,750
Capital raising fees	184,500	461,250
Printing and Postage Costs	38,500	38,500
ASX listing fees	89,464	94,414
ASIC Lodgement Fee	2,320	2,320
Share Registry Fees	16,913	16,913
Listing Ceremony	8,800	8,800
Total costs of capital raising	694,522	1,022,347
Less amounts already paid	(216,263)	(216,263)
Total amounts paid per use of funds	478,259	806,084

Historical Cash Flow Statements

The table below set out the Historical Cash Flow Statements

Restated Cash Flow Statements			
\$	*Restated Audited FY 2014	*Restated Audited FY 2015	Audited FY 2016
Operating cash flows			
Receipts from customers	644,702	807,101	628,068
Payments to creditors and employees	(1,092,979)	(1,718,750)	(2,393,972)
Net interest paid	(75,558)	(105,945)	(81,803)
Income tax paid	-	(26,462)	(8,293)
Other operating cash flows	67,250	-	-
Net cash outflow from Operating	(456,585)	(1,044,056)	(1,856,000)
Investing Cash Flows			
Property, Plant & Equipment	(1,178)	(57,331)	(180,012)
Intangibles	(11,539)	(29,379)	(14,053)
Net cash outflows from Investing	(12,717)	(86,710)	(194,065)
Financing cash flows			
Net proceeds from issue of shares	124,500	2,047,500	1,415,529
Net proceeds from borrowing	609,986	(18,947)	184,600
Net cash inflows from Financing	734,486	2,028,553	1,600,129
Total cash inflows/(outflows)	265,184	897,787	(449,936)

*For more information about the background to and the basis for such restatements, please refer to the section titled 'Preparation of Financial Information' on page 82 of this Prospectus.

Going concern

The group incurred a loss of \$2,652,497 for the year ended 30 June 2016 (30 June 2015: \$1,071,430) and had cash outflows from operating activities of \$1,856,000 (30 June 2015: \$1,044,056).

The Financial Information has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the Prospectus, for the following reasons:

- The group is currently seeking to list on the Australian Securities Exchange (ASX). The group is seeking to raise between \$10.5 million and \$15 million before associated costs;
- The group has entered into an agreement with Chinese organisations for the right to supply and distribute beer in China. This agreement covers a 5 year period with options for extensions; and
- The current administration expense includes a once-off fee of \$1,012,500 in relation to sourcing, negotiation and implementation of commercial opportunities for the production and distribution of the company's beer products in China.

For the above reasons the Directors consider that the group remains a going concern and the Financial Information has been prepared on this basis.

Should the group be unable to raise further funds there would be a significant uncertainty regarding the ability of the group to continue as a group concern and therefore whether it will realise its assets and extinguish its liabilities other

than in the normal course of business at the amounts stated in the Financial Information.

The Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be incurred should the group not continue as a going concern.

Management discussion and analysis

General factors affecting the operating results and the Financial Information

Below is a discussion of the main factors which affected the Company's operations and relative financial performance in FY2014, FY2015 and FY2016 which the Company expects may continue to affect the Company in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected the Company's historical operating and financial performance, nor does it detail all the factors that may affect the Company's future operations and financial performance

A) Increased Australian distribution

The Company is focused on improving its distribution network across Australia to make the Products more easily accessible to its customers.

During the last two years, the Company has developed an in-house sales team to facilitate this distribution growth into independent liquor outlets. In turn this has led to a diversified group of customers. As a result, the Company has been able to improve brand awareness, which will be critical for continuing growth in market share.

B) Expansion offshore

With a focus on developing the brand opportunities in Asia, particularly China and South-East Asia, the Company believes that operating closer to these regions will best facilitate its growth in these markets. For this reason, the Company has entered into agreements for the manufacture and distribution of the Products into China, as well as sought professional advice on the establishment of wholly owned subsidiaries in China and Hong Kong, which will be responsible for branding, marketing and distribution of the Products in China and South-East Asia.

The costs associated in the establishment and licensing of these subsidiaries, together with associated professional advice have been included in these historical results.

C) Revenue

Historically, the Company's revenues have been constrained due to the Company's outsourced manufacturing capacity inability to satisfy increasing demand for the Products.

The Company expects to diversify its revenue streams through distribution gains across Australia, China and other international markets, as well as increased brand awareness of the Products.

D) Gross profit margin

The Company's operations team continues to focus on opportunities to improve current gross profit margins through a deep understanding of the demands of the current supply chain and by working with suppliers on long term arrangements. Where there have been unavoidable price increases in manufacturing costs and/or raw materials, the Company has negotiated with its distributors to deliver solutions that are mutually sustainable. The cost of goods and excise tax is the largest contributor to the cost of the Products. Other costs are negotiated with manufacturers with whom the Company has current supply agreements with until June 2018.

E) Costs of doing business

The key costs of doing business are employee costs, marketing costs, and other general expenses.

The Company has developed a small, capable team. The team is passionate and dedicated to the goals of the Business and truly represents the brand values of the Company.

Marketing for the Company has been centered on the digital space and focused on word-of-mouth campaigns using social media, SEO and online advertising. Through these mechanisms and bringing many functions in house, the Company has been able to develop strong brand recognition with a carefully managed marketing budget.

F) General factors affecting the cash flow of the Company

There are three key contributors to the Company's cash flow. Trade receivables are a growing component of the business, with more customers and increased revenue. Collection cycles are sound, with very few debtors going outside of normal trading terms. Creditor cycles have not changed from FY2014 to FY2016. Other factors affecting cash flow include inventory purchases and expansion of the Business both in Australia and into China.

Dividend policy and forecast distribution

No dividend will be paid following completion of the Offer in respect of FY2016.

In determining whether to declare future dividends, the Directors will have regard to the Company's earnings, overall financial condition and requirements, the outlook for the brewing industry, the taxation position of the Company and future capital requirements. It is expected that all future dividends will be franked to the maximum extent possible.

Significant Accounting Policies

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Broo Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Broo Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date.

Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and government excise, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	13% to 67%
Vehicles	25%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset

or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks

Significant costs associated with patents and trademarks are measured at cost less any impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the owners of Broo Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Summary of Adjustments to Financial Information

Summary of adjustments made to the FY2014 and FY2015 statements of financial performance

The impact of the restatements to the FY2014 and FY2015 statements of financial performance is as follows:

	2014 \$ Reported	\$ Adjustment	2014 \$ Restated
Revenue	681,244	-	681,244
Other income	65,891	-	65,891
Expenses			
Depreciation and amortisation expense	(13,596)	7,297	(6,299)
Cost of sales	(824,208)	10,000	(814,208)
Impairment of receivables	(230,373)	230,373	-
Marketing	(148,999)	-	(148,999)
Occupancy	(35,282)	-	(35,282)
Administration	(622,521)	48,880	(573,641)
Finance costs	(75,566)	(600)	(76,166)
Loss before income tax expense	(1,203,410)	295,950	(907,460)
Income tax expense	-	-	-
Loss after income tax expense for the year attributable to the owners of Broo Limited	(1,203,410)	295,950	(907,460)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Broo Limited	(1,203,410)	295,950	(907,460)

	2015 \$ Reported	\$ Adjustment	2015 \$ Restated
Revenue	825,071	(102,500)	722,571
Other income	5,422	-	5,422
Expenses			
Depreciation and amortisation expense	(42,101)	42,101	-
Cost of sales	(713,746)	73,590	(640,156)
Impairment of receivables	(82,892)	82,892	-
Marketing	(100,412)	-	(100,412)
Occupancy	(13,961)	-	(13,961)
Administration	(891,022)	(45,713)	(936,735)
Finance costs	(108,159)	-	(108,159)
Loss before income tax expense	(1,121,800)	50,370	(1,071,430)
Income tax expense	-	-	-
Loss after income tax expense for the year attributable to the owners of Broo Limited	(1,121,800)	50,370	(1,071,430)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Broo Limited	(1,121,800)	50,370	(1,071,430)

Summary of adjustments made to FY2014 and FY2015 statements of financial position

The impact of the restatements to the FY2014 and FY2015 statements of financial position is as follows:

	2014 \$ Reported	\$ Adjustment	2014 \$ Restated
Assets			
Current assets			
Cash and cash equivalents	288,202	-	288,202
Trade and other receivables	170,388	(20,747)	149,641
Inventories	16,158	-	16,158
Other	6,450	-	6,450
Total current assets	481,198	(20,747)	460,451
Non-current assets			
Property, plant and equipment	16,739	-	16,739
Intangibles	133,679	29,245	162,924
Other	9,132	-	9,132
Total non-current assets	159,550	29,245	188,795
Total assets	640,748	8,498	649,246
Liabilities			
Current liabilities			
Trade and other payables	620,961	-	620,961
Borrowings	14,749	-	14,749
Income tax	34,755	-	34,755
Total current liabilities	670,465	-	670,465
Non-current liabilities			
Borrowings	825,168	-	825,168
Total non-current liabilities	825,168	-	825,168
Total liabilities	1,495,633	-	1,495,633
Net liabilities	(854,885)	8,498	(846,387)
Equity			
Issued capital	1,497,364	(49,400)	1,447,964
Accumulated losses	(2,352,249)	57,898	(2,294,351)
Total deficiency in equity	(854,885)	8,498	(846,387)

	2015 \$ Reported	\$ Adjustment	2015 \$ Restated
Assets			
Current assets			
Cash and cash equivalents	1,185,989	-	1,185,989
Trade and other receivables	149,357	(6,567)	142,790
Inventories	98,917	(41,375)	57,542
Total current assets	1,434,263	(47,942)	1,386,321
Non-current assets			
Property, plant and equipment	25,106	41,375	66,481
Intangibles	127,368	43,191	170,559
Other	9,031	-	9,031
Total non-current assets	161,505	84,566	246,071
Total assets	1,595,768	36,624	1,632,392
Liabilities			
Current liabilities			
Trade and other payables	605,690	(22,244)	583,446
Borrowings	580,108	-	580,108
Income tax	8,293	-	8,293
Total current liabilities	1,194,091	(22,244)	1,171,847
Non-current liabilities			
Borrowings	15,548	-	15,548
Total non-current liabilities	15,548	-	15,548
Total liabilities	1,209,639	(22,244)	1,187,395
Net assets	386,129	58,868	444,997
Equity			
Issued capital	3,860,178	(49,400)	3,810,778
Accumulated losses	(3,474,049)	108,268	(3,365,781)
Total equity	386,129	58,868	444,997

8. Investigating Accountant's Report

For personal use only





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19 August 2016

The Due Diligence Committee
Broo Limited
Suite 4
Level 1, 119-125 Ocean Beach Road
SORRENTO VIC 3000

Dear Sirs,

INVESTIGATING ACCOUNTANT'S REPORT ON THE REVIEW OF THE HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Introduction

This report has been prepared at the request of the Due Diligence Committee to report on the Historical and Pro Forma Historical Financial Information of Broo Limited ("**Broo**" or "**Company**") for inclusion in Section 7 of the Prospectus to be dated on or around 19 August 2016. The Prospectus has been prepared by the Company in relation to the initial public offer for a total of 75,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$15,000,000. The Offer has a minimum subscription of \$10,500,000.

Expressions and terms defined in the Prospectus have the same meaning in this report. The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. ShineWing Australia Corporate Finance Pty Ltd holds the appropriate licence under the *Corporations Act 2001*.

Scope

You have requested ShineWing Australia Corporate Finance Pty Ltd (**ShineWing**) to review the following historical financial information of Broo included in Section 7 of the Replacement Prospectus:

- (a) the historical financial information of Broo as set out in Section 7 of the Prospectus, comprising the:
- Consolidated historical income statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016 (the Historical Results);
 - Consolidated historical cash flow statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016 (the Historical Cash Flow Statements);
 - Pro forma consolidated historical balance sheet as at 30 June 2016 (the Pro Forma Balance Sheet);

collectively referred to as the **Financial Information**.

The Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards.

The Financial Information had been extracted from the audited financial reports of Broo for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016. The audited financial information for Company for the years ended 30 June 2014 and 30 June 2015 has been restated in the Prospectus following the discovery of several misstatements. The nature of these adjustments are outlined in the Prospectus. The 30 June 2014 and 30 June 2015 audits were conducted by Connect Audit. A qualified audit opinion was issued for each year in relation to inventory existence as the auditor was unable to attend the inventory count or perform alternate procedures. An emphasis of matter in relation to going concern was included in the auditor's report for each of these financial years.

The audit for financial year ended 30 June 2016 was conducted by ShineWing Australia. A qualified audit opinion was issued in relation to the opening inventory existence as the auditor was unable to attend the inventory count or perform alternate procedures. An emphasis of matter in relation to going concern was included in the auditor's report.

The Financial Information has been prepared based on the historical financial information of Broo and reflects the completion of the share issue described in the Prospectus as if it had taken place at 30 June 2016. The Pro Forma Balance Sheet has been derived from historical financial information, after adjusting for the effects of Pro Forma adjustments described in the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the Pro Forma adjustments relate, as described in the Prospectus, as if those events or transactions had occurred as at the date of the Pro Forma Balance Sheet. Due to its nature, the Pro Forma Balance Sheet does not represent Broo's actual or prospective financial position.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors of Broo's responsibility

The directors of Broo are responsible for the preparation of:

- Consolidated historical income statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016 ;
- Consolidated historical cash flow statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- Pro forma consolidated historical balance sheet as at 30 June 2016; and
- the Prospectus.

This includes responsibility for such internal control as the directors of Broo determine are necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Financial Information on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Auditing Standard on Assurance Engagements ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.



Basis for Qualified Conclusion on the Financial Information

The Financial Information has been extracted from the audited financial report of Broo for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016. The audited financial information for Company for the years ended 30 June 2014 and 30 June 2015 has been restated in the Prospectus following the discovery of several misstatements. The nature of these adjustments are outlined in the Prospectus.

The qualified audit opinions issued for the financial year ended 30 June 2014, 30 June 2015 and 30 June 2016 are related to the following matters:

Connect Audit was not appointed as auditors of the entity until after 30 June 2015 and thus did not observe the counting of physical inventories at the beginning and end of the years ended 30 June 2014 and 30 June 2015. Connect Audit were unable to satisfy themselves by alternative means concerning the inventory quantities held as at 30 June 2014 and 30 June 2015 which are stated in the balance sheet at \$16,158 and \$98,917 respectively. As a result of this matter, Connect Audit was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and the elements making up the income statements, statement of changes in equity and statement of cash flows for the financial years ended 30 June 2014 and 30 June 2015; and

ShineWing Australia was appointed as auditors of the company on 25 July 2016. ShineWing Australia was unable to satisfy themselves by alternative means concerning inventory quantities held at 30 June 2015. Since opening inventories impact the financial performance and cash flows, ShineWing Australia was unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows for the year ended 30 June 2016.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Section 7 in the Prospectus which indicates the Company has generated losses and net cash outflows from operating activities and is reliant on its ability to raise sufficient capital to fund its operations and have sufficient funds to pay its debts as and when they fall due.

This statement indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Conclusions

Based on our review, which is not an audit, except for the matters described in the section on Basis for Qualified Conclusion on Financial Information, nothing has come to our attention that causes us to believe that the Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation described in Section 7 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 7 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the public document. As a result, the financial information may not be suitable for use for another purpose.

Consent

ShineWing has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, ShineWing makes no representations regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.



Independence

ShineWing Australia Pty Ltd and its related entities ShineWing Australia Corporate Finance Pty Ltd, ShineWing Australia or ShineWing Australia Wealth Pty Ltd does not have any interest in the outcome of this Offer other than in the standard commercial professional fees received in preparation of the Investigating Accountant's Report.

We do not have formal associations with entities that are issuers of financial products, however in the course of business may provide professional services to financial product issuers.

General Advice Warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully



Rami Eltchelebi
Director - Authorised Representative
ShineWing Australia Corporate Finance Pty Ltd

For personal use only



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Financial Services Guide

We are required to issue to you, as a retail client, a Financial Service Guide (FSG). The FSG, dated 19 August 2016, is designed to assist retail clients in their use of the general financial product advice provided by ShineWing Australia Corporate Finance Pty Ltd ABN 13 068 744 114 (“**ShineWing Australia Corporate Finance**”) as a corporate authorised representative (389399) of ShineWing Australia Wealth Pty Ltd ABN 34 006 341 386, Australian Financial Services License (AFSL) number 236556 (“**ShineWing Australia Wealth**”). This FSG contains information about:

1. Who we are, what our engagement is and who engaged our services;
2. The services we are authorised to provide under the AFSL held by ShineWing Australia Wealth;
3. Remuneration that we may receive in connection with the preparation of the general financial product advice;
4. Any relevant associations, relationships and or referrals arrangements;
5. Our internal and external complaints handling procedures and how you may access them;
6. The compensation arrangements that ShineWing Australia Wealth has in place;
7. Our privacy policy; and
8. Our contact details.

This FSG forms part of an Investigating Accountant’s Report (“**Report**”) which has been prepared for inclusion in a Prospectus to be dated on or about 19 August 2016 prepared by Broo Limited ACN 060 793

099 (“**Prospectus**”). The purpose of the Prospectus is to help you make an informed decision in relation to a financial product. The contents of the Prospectus include details such as the risks, benefits and cost of acquiring the particular financial product.

1. About us

ShineWing Australia Corporate Finance is a related entity of ShineWing Australia and independent member of ShineWing International Limited – members in principal cities throughout the world.

The general financial product advice in our Report is provided by ShineWing Australia Corporate Finance and not by ShineWing Australia which provide services primarily in the areas of audit, tax and business consulting.

ShineWing Australia Corporate Finance has been engaged by Broo Limited to issue a Report for inclusion in the Prospectus.

2. Financial services we are authorised to provide and our responsibility to you

We are authorised by ShineWing Australia Wealth to provide general financial product advice for securities only to retail and wholesale clients.

ShineWing Australia Wealth is responsible for the financial services we provide.

The Report contains only general financial product advice as it was prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances

and consider obtaining personal financial advice from an appropriately licensed person before you act on the general advice in the Report.

You should also consider all other parts of the Prospectus before making any decision in relation to the financial product.

The Report has been prepared for the directors of Broo Limited. You have not engaged us directly but have received a copy of the Report because you have been provided with a copy of the Prospectus.

Neither ShineWing Australia Corporate Finance nor ShineWing Australia Wealth are acting for any person other than Broo Limited.

ShineWing Australia Corporate Finance and ShineWing Australia Wealth are responsible and accountable to you for ensuring there is a reasonable basis for the conclusions in the Report.

3. Fees, commission and other benefits we may receive

ShineWing Australia Corporate Finance charges fees for providing reports, which are agreed to upfront, and paid by, the entity who engages us to provide the report.

Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In this case, Broo Limited has agreed to pay us approximately \$75,000 for preparing the Report.

Except for the fees referred to above, neither ShineWing Australia, nor any of its directors, authorised representatives,



employees, associates or related entities, received any pecuniary benefit, directly or indirectly, for or in connection with the provision of the Report. All employees receive a salary and bonus based on overall productivity and not linked to our opinions expressed in this Report.

Further details may be provided on request.

4. Associations, relationships and referrals

The ShineWing Australia group, including ShineWing Australia, ShineWing Australia Corporate Finance and ShineWing Australia Wealth are members of ShineWing International Limited, consisting of independent member firms and correspondents.

ShineWing Australia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products in the ordinary course of its business. Partners of ShineWing Australia through their shareholdings will receive a direct benefit from the fees received.

Over the past two years, the ShineWing Australia group has received professional fees of \$45,000 paid by Broo Limited excluding the fees received in connection with this Report.

No individual involved in the preparation of the Report holds an interest in, or is a substantial creditor of Broo Limited or has other material financial interests in the transaction proposed by the Prospectus.

ShineWing Australia group does not pay commissions or provide

any benefits to any person for referring customers to them in connection with the Report.

5. Complaints

Internal complaints resolution

If you have concerns with the general advice provided in the Report, please contact us at the details provided in section 8 below. If your concerns are not addressed in a timely manner, please send your complaint in writing to the General Manager, ShineWing Australia Wealth Pty Ltd, Level 10, 530 Collins St, Melbourne, VIC 3000.

External dispute resolution

If your concern is not resolved, or if you are not satisfied with the decision, you may contact the Financial Ombudsman Service (FOS). FOS independently and impartially resolves disputes between consumers, including some small businesses, and participating financial services providers. The FOS provides an independent dispute resolution process covering complaints about financial services. You may contact the FOS by:

Financial Ombudsman Service
GPO Box 3, Melbourne VIC 3001

Toll free: 1300 780 808,

Email: info@fos.org.au

Website: www.fos.org.au

The Australian Securities & Investments Commission (ASIC) is Australia's corporate, markets and financial services regulator. ASIC contributes to maintaining Australia's economic reputation by ensuring that Australia's financial markets are fair and transparent, and is supported by informed investors and consumers alike. ASIC seeks to protect consumers against misleading or deceptive and

unconscionable conduct affecting all financial products and services. You may contact ASIC by:

Australian Securities & Investments Commission
GPO Box 9827, Your Capital City
Phone: 1300 300 630
Website: www.asic.gov.au;

Before you send your concern to any of these respective bodies, please contact them first to understand the process of lodging your concern with them.

6. Compensation arrangements

The law requires ShineWing Australia Wealth to have arrangements in place to compensate certain persons for the loss or damage they suffer from certain breaches of the Corporations Act by its representatives. ShineWing Australia Wealth has internal compensation arrangements, as well as professional indemnity insurance that satisfy these requirements.

7. Privacy Statement

We are required or authorised to collect personal information from you by certain laws. Details of these laws are in our privacy policy.

Our full privacy policy is available at <http://www.shinewing.com.au/privacy-policy>. It covers:

- how you can access the personal information we hold about you and ask for it to be corrected;
- how you may complain about a breach of the Privacy Act 1988 (Cth), or a registered privacy code and how we will deal with your complaint; and;



- how we collect, hold, use and disclose your personal information in more detail.

We will update our privacy policy from time to time.

Where you have provided information about another individual, you must make them aware of that fact and the contents of this privacy statement.

We will use your personal information to contact you or send you information about other products and services offered by

us or our preferred suppliers. If you do not wish to receive marketing communications from us, please contact us.

**8. Contact Details—
ShineWing Australia
Corporate Finance and
ShineWing Australia
Wealth**

Level 10, 530 Collins Street
Melbourne, VIC 3000
Australia
T: +61 3 8635 1800
F: +61 3 8102 3400
www.shinewing.com.au

This Financial Services Guide has been authorised for distribution by the authorising licensee.

References to 'we' or 'us' or 'ours' should be read as ShineWing Australia Corporate Finance Pty Ltd (ABN 13 068 744 114), in its capacity as a corporate authorised representative (389399) of ShineWing Australia Wealth Pty Ltd (ABN 34 006 341 386), AFSL 236556.

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9. Material Contracts

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9. Material Contracts

The Company and its subsidiaries have entered into various agreements which the Board consider to be material and relevant to potential investors in the Company. Set out below is a summary of these material contracts.

List of Material Contracts:

1. Supply and Packaging Agreement between the Company and Icon, dated 15 July 2016 (**Supply and Packaging Agreement**)
2. Beer Supply and Packaging Agreement between the Company and Jinxing, dated 10 June 2015 (**China Supply Agreement**);
3. Distribution Agreement between the Company and Henan Liquor, dated 10 June 2015 (**China Distribution Agreement**);
4. Deed of Confirmation between the Company and Stamford Wine Exports Pty Ltd (ACN 158 302 160), dated 23 March 2016 (**Stamford Agreement**);
5. Sponsorship Contribution Agreement between **the Company and the Trustees for Commando Welfare Trust (ABN 17 860 403 129), entered into in 2012 (Commando Welfare Agreement)**;
6. Sponsorship Contribution Agreement between the Company and SART Holdings Pty Ltd (ACN 088 734 490) as Trustee for the SAS Resources Fund, entered into in 2012 (**SAS Resources Agreement**); and
7. Australia Draught Warrant Subscription Agreements between Australia Draught, the Warrant Subscribers and AD 2013 Notes Security Pty Ltd (ACN 167 023 234), dated 23 December 2013 (**Australia Draught Warrant Subscription Agreements**);
8. Deed of Assignment between the Company and Australia Draught, dated 23 December 2013 (**Deed of Assignment**);
9. Lead Manager Mandate between the Company and Beer & Co, dated 25 May 2016 (**Lead Manager Mandate**);

Employment, Consultant and Service Agreements:

10. Directors Deeds of Indemnity, Insurance and Access between the Company and Director;
11. Executive Employment Agreement with Kent Grogan;
12. Employment Agreement with Denis Coldebella; and
13. Directors' Service Agreements between the Company and each Non-Executive Director.

1. **Supply and Packaging Agreement**

The key terms of the Supply and Packaging Agreement are as follows:

- the term of the Supply and Packaging Agreement is twenty four (24) months from the date of execution;
- if the Company seeks an extension of the term, the parties will enter into good-faith negotiations for an extension of the Supply and Packaging Agreement for an additional period of time;

- Icon has been engaged by the Company to manufacture the Australia Draught Beer and Broo Premium Lager and package the Products in 375ml bottles and 50 litre kegs. This arrangement will cover all costs associated with the transport, freight and delivery of the cases and kegs, including their respective packaging materials, but excludes all alcohol excise taxes and duties, which will be borne by the Company;
- Icon agrees that all packaging and packing costs will not be increased during the first year of the term of the Agreement, but that Icon may increase the price of the Products commensurate with increases in ingredient costs and taxes or duties incurred by Icon, provided that Icon gives at least thirty (30) days' notice of such price increase and provides satisfactory evidence to the Company of the basis for such price increase;
- the Supply and Packaging Agreement is non-exclusive, and the Company is entitled to source brewing and packaging services from third parties;
- the Company will source and purchase all packaging materials required to package the Products, and the cost of such materials shall be deducted from the Product cost;
- orders placed by the Company shall be paid for within thirty (30) days of notification to the Company by Icon that the Products the subject of an order are ready for collection;
- Icon will produce Products and deliver them in accordance with specified recipes (Recipes), and will deliver finished Products in accordance with certain product specifications (Specifications), and the Company is not required to accept delivery of, and has no liability to pay for, any Products that do not comply with the Recipes and/or fail to meet the Specifications;
- Icon indemnifies the Company in respect of all claims made and loss and damage sustained by reason of the Products not complying with applicable Australian food or drink standards, laws and regulations, rules and requirements, indemnifies the Company against any loss and damage sustained by reason of the Products not being produced in accordance with Recipes and/or Specifications, and warrants that the packaged Products will be fit for their intended purpose and of merchantable quality;
- Icon undertakes and agrees to treat the Recipes and Specifications as confidential;
- if the Company fails to pay an invoice after receiving fourteen (14) days' notice requiring it to do so, Icon may terminate the Supply and Packaging Agreement immediately; and
- either party may terminate the Supply and Packaging Agreement for convenience by giving the other six (6) months written notice of its intention to do so.

2. China Supply Agreement

The key terms of the China Supply Agreement are as follows:

- pursuant to the China Supply Agreement, Jinxing has been appointed by the Company to produce and package Broo Premium Lager in cases of 4x6 330ml cans and 2x6 500ml cans (**Jinxing Broo Products**) for sale by the Company and its nominated distributors;
- subject to Jinxing complying with its obligations under the China Supply Agreement, the Company shall exclusively source brewing and packaging of the Jinxing Broo Products in China (**Territory**) from Jinxing;
- the term of the China Supply Agreement is for a period of five (5) years from the date of the Year 1 Commencement Date, the Year 1 Commencement Date being the earlier of:
 - Jinxing commencing production of the Jinxing Broo Products for the Company in the Territory; or

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- the date of Jinxing's new production facility becoming operational;
- if the Company seeks an extension of the China Supply Agreement beyond the term, then, 3 months prior to the expiry of the term, the Company shall submit an application to Jinxing for an extension of the term for a further 5 years, and, if such application is accepted by Jinxing, the parties shall then sign a new supply agreement;
- Jinxing undertakes to meet and have capacity for certain required annual production levels for the Jinxing Broo Products, such levels outlined in the China Supply Agreement;
- Jinxing will pay all set-up costs associated with the production of the Jinxing Broo Products, provision of packing services and manufacture of packaging for the Jinxing Broo Products, but the Company shall purchase packaging materials from Jinxing as necessary to package Jinxing Broo Products in accordance with orders received;
- in accordance with Chinese food safety laws, the Company shall be responsible for authorisations required to produce the Jinxing Broo Products in China, but Jinxing warrants that the Jinxing Broo Products delivered to the Company comply with all food and drink standards, rules and regulations of China, and shall indemnify the Company in respect of all claims and damage sustained by reason of a Jinxing Broo Product not complying with such applicable standards and regulations;
- Jinxing must produce and deliver the Jinxing Broo Products in accordance with Chinese national standards and certain product specifications. The Company is not required to accept delivery of, and has no liability to pay for, Jinxing Broo Products which do not comply with such product specifications, and Jinxing shall indemnify the Company against any loss sustained because of failure to produce Jinxing Products in accordance with such specifications, or because the Jinxing Broo Products are not fit for purpose or of merchantable quality;
- if either party fails to comply with a material term of the China Supply Agreement after receiving thirty (30) days' notice, the agreement may be terminated by the party not in default, and all intellectual property and product specifications and recipes shall be returned to the Company by Jinxing; and
- if a dispute arises, the parties shall attempt to mediate a settlement, but, if this is unsuccessful, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration.

3. China Distribution Agreement

The key terms of the China Distribution Agreement are as follows:

- pursuant to the China Distribution Agreement, Henan Liquor has been appointed by the Company as a non-exclusive distributor of the Jinxing Broo Products in China (**Territory**);
- the term of the China Distribution Agreement is for a period of five (5) years from the date of the Year 1 Commencement Date, the Year 1 Commencement Date being the earlier of:
 - Jinxing commencing production of the Jinxing Broo Products for the Company in the Territory; or
 - the date of Jinxing's new production facility becoming operational;
- if Henan Liquor has met its obligations and complies with the terms of the China Distribution Agreement, then, within 3 months prior to expiry of the initial term, it may extend the term for a further period of 5 years (**Further Term**);

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- Henan Liquor shall not be permitted to sell or distribute the Jinxing Broo Products outside the Territory, or supply the Jinxing Broo Products to persons within the Territory who may on-supply the Jinxing Broo Products to persons outside the Territory;
- the Company shall pay Henan Liquor a target-based rebate based on Henan Liquor meeting certain annual sales targets, as follows:
 - 5,000,000 cases in Year 1 of the Agreement;
 - 10,000,000 cases in Year 2 of the Agreement;
 - 15,000,000 cases in Year 3 of the Agreement;
 - 20,000,000 cases in Year 4 of the Agreement; and
 - 25,000,000 cases in Year 5 of the Agreement, and any Further Term;

such rebate being payable within 2 months of Year 1 of the Agreement and each subsequent year in which the Jinxing Broo Products are supplied (however, investors should note that there is no guarantee that such targets will be met);

- during the term of the China Distribution Agreement, Henan Liquor may, by delivery of a purchase order, request the Company to supply a certain amount of Jinxing Broo Products, and the Company shall arrange production of the requested Jinxing Broo Products by Jinxing;

- Henan Liquor acknowledges that the Company's obligation to supply Jinxing Broo Products ordered is subject to Jinxing being able to manufacture and supply products in accordance with the China Supply Agreement;

- delivery of the Jinxing Broo Products shall occur by the Company arranging for the Jinxing Broo Products to be available for collection from Jinxing's brewing facility and notifying Henan Liquor that they are available for collection;

- risk in the Jinxing Broo Products and all insurance responsibility in respect of the Products shall pass to Henan Liquor upon delivery of the Jinxing Broo Products;

- Henan Liquor is liable for any transportation charges, import clearance, storage costs, import duties, customs duties and other like taxes associated with the purchase, distribution and/or importation of the Jinxing Broo Products by Henan Liquor;

- Henan Liquor agrees that during each twelve (12) month period during the term and any further term, it shall spend an amount on marketing the Jinxing Broo Products equivalent to 5% of the value of the Jinxing Broo Products ordered by Henan Liquor pursuant to this China Distribution Agreement, and shall follow any guidelines delivered to it by the Company in relation to marketing of the Jinxing Broo Products;

- during the term and any Further Term, the Company grants Henan Liquor a royalty-free licence to utilise the Company's trade marks for the purpose of distributing and marketing the Jinxing Broo Products within the Territory; and

- if a dispute arises, the parties shall attempt to mediate a settlement, but, if this is unsuccessful, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration.

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4. **Stamford Agreement**

Pursuant to a mutual understanding between the Company and Stamford Wine Exports Pty Ltd (**Stamford**), Stamford agreed to provide services to the Company between 1 July 2014 to 30 June 2017, with such services including the introduction of the Company to certain commercial opportunities in China and the negotiation of the China Distribution Agreement and China Supply Agreement. As consideration for the services provided by Stamford during this period, the Company issued Stamford with 2,025,000 Shares at a deemed issue price of \$0.50 per Share on 16 December 2015, and paid Stamford \$111,111 (including GST) in cash. A Deed of Confirmation was subsequently entered into on 23 March 2016 between the Company and Stamford to reduce such arrangement to writing.

5. **Commando Welfare Agreement**

The Commando Welfare Trust is a charitable trust established to provide financial support and relief to current and former members of the Australian Commandos and the Special Operations Command (**Commando Trust**).

The key terms of the Commando Welfare Agreement are as follows:

- the term of the Commando Welfare Agreement is for a period of five (5) years, with a further term of five (5) years;
- the Company undertakes to pay \$0.25 to the Commando Trust from monies received from the sale of each carton of Australia Draught Beer during the term and any further term (**Contribution Amount**), subject to the Company receiving cleared funds as payment in full for the sale for that carton;
- the Company will pay the Commando Trust the Contribution Amount following the end of each quarter during the term and any further term;
- the Commando Trust agrees that the Company shall be the exclusive beer company sponsor of the Commando Trust for the duration of the term and any further term;
- during the term, the Commando Trust shall be entitled to use certain "AUSTRALIA DRAUGHT" logo trade marks on the Commando Trust's advertising and promotional materials, and the Company shall be entitled to use the Commando Trust's logo trade mark when advertising and promoting the Australia Draught Beer products;
- each party may terminate the Commando Welfare Agreement on six (6) months' written notice, or if a party breaches the terms of the Commando Welfare Agreement and fails to rectify the breach within fourteen (14) days' notice of the breach being given by the non-defaulting party.

Pursuant to the Deed of Assignment between the Company and Australia Draught, the Commando Welfare Agreement was subsequently assigned to Australia Draught.

6. **SAS Resources Agreement**

The SAS Resources Fund is a charitable trust established to provide financial support and relief to current and former members of the Special Air Service Regiment (**SAS Fund**).

The key terms of the SAS Resources Agreement are as follows:

- the term of the SAS Resources Agreement is for a period of five (5) years, with a further term of five (5) years;

- the Company undertakes to pay \$0.25 to the SAS Fund from monies received from the sale of each carton of Australia Draught Beer during the term and any further term (**Contribution Amount**), subject to the Company receiving cleared funds as payment in full for the sale for that carton;
- the Company will pay the SAS Fund the Contribution Amount following the end of each quarter during the term and any further term;
- the SAS Fund agrees that the Company shall be the exclusive beer company sponsor of the SAS Fund for the duration of the term and any further term;
- during the term, the SAS Fund shall be entitled to use certain "AUSTRALIA DRAUGHT" logo trade marks on the SAS Fund's advertising and promotional materials, and the Company shall be entitled to use the SAS Fund's logo trade mark when advertising and promoting the Australia Draught Beer products;
- each party may terminate the SAS Resources Agreement on six (6) months' written notice, or if a party breaches the terms of the SAS Resources Agreement and fails to rectify the breach within fourteen (14) days' notice of the breach being given by the non-defaulting party.

Pursuant to the Deed of Assignment between the Company and Australia Draught, the SAS Resources Agreement was subsequently assigned to Australia Draught.

7. Australia Draught Warrant Subscription Agreements

The Australia Draught Warrant Subscription Agreements comprise of

- (a) a Security Trust Deed between Australia Draught, the Warrant Subscribers and AD 2013 Notes Security Pty Ltd (ACN 167 023 234) (**AD Notes**), dated 23 December 2013 (**Security Trust Deed**);
- (b) a Equity Warrant Deed Poll between Australia Draught and each Warrant Subscriber, entered into on or around 23 December 2013 (**Equity Warrant Deed Polls**);
- (c) the General Security Agreement between Australia Draught and AD Notes, dated 23 December 2013; and
- (d) A facility arrangement comprising of a Facility Agreement between Australia Draught, the Warrant Subscribers, AD Notes and another, dated 23 December 2013, as well as several deeds of variation and a deed of assignment entered into in relation to same (**Facility Arrangement**).

The key terms of the Warrant Subscription Agreements are as follows:

Facility Arrangement:

- Pursuant to the Facility Arrangement, the Warrant Subscribers have agreed to make available monies totalling \$575,000 to Australia Draught (**Principal**), which Principal shall be held in trust by AD Notes under the Security Trust Deed and drawn down upon satisfaction of relevant conditions precedent:
- Interest on the Principal shall accrue at the rate of 15% per annum, which shall be payable by Australia Draught to the Warrant Subscribers monthly in arrears.

Equity Warrant Deed Polls

- Pursuant to the Equity Warrant Deed Polls, the Warrant Subscribers have subscribed for 575,000 Warrants in Australia Draught. However, in consideration for a one-off payment of \$115,000 to be paid to the Warrant Subscribers, the Warrant Subscribers have agreed to surrender the Warrants on 23 December 2016 simultaneously with repayment of the Principal that is required to be repaid on this date. The Warrant Subscribers have also agreed to refrain from exercising or transferring the Warrants in the interim.

- It is intended that the Warrants, if not surrendered by the Warrant Subscribers, and if exercised in full, would convert into such number of shares that represent 11.5% of the shares in Australia Draught (disregarding the Warrants), and, in the event that a reorganisation of capital occurs, the parties shall make such amendments to the Equity Warrant Deed Polls to achieve this intention.
- Each Warrant Subscriber has agreed that, upon conversion of their Warrants into shares in Australia Draught, they shall be bound by certain drag along and tag along rights, as follows:
 - where a shareholder or shareholders holding at least 60% of shares in Australia Draught (**60% Transferor**) accepts an offer to sell all of its shares to a third party who is not a shareholder nor an associate of the 60% Transferor (Third Party), then the 60% Transferor is entitled to issue to the remaining shareholders a notice requiring such shareholders to sell their shares to the Third Party on terms no less favourable than the terms upon which the 60% Transferor is selling to the Third Party;
 - where a shareholder or shareholders holding at least 80% of shares in Australia Draught (**80% Transferor**) wishes to sell or transfer its shares to a third party who is not a shareholder nor an associate of the 80% Transferor (**Third Party**), the remaining shareholders are granted the right to require the 80% Transferor to cause the Third Party to purchase from the remaining shareholders:
 - that number of shares which is proportionate to the percentage of its holding that the 80% Transferor proposes to transfer to the Third Party; and
 - at a price per share which is equal to the sale price of the shares which the 80% Transferor proposes to transfer to the Third Party.

Security Trust Deed

Pursuant to the Security Trust Deed, Australia Draught has granted a security interest over its rights, property and undertaking to AD Notes, in order to secure all monies owned to AD Notes and/or to the Warrant Subscribers under the Australia Draught Warrant Subscription Agreements.

8. Deed of Assignment

The key terms of the Deed of Assignment are as follows;

- In consideration for Australia Draught paying \$1 to the Company, the Company assigns:
 - all right, title and interest to all intellectual property rights owned by the Company in relation to Australia Draught Beer to Australia Draught, such rights including the Australia Draught logo trade mark applications filed at the date of the Deed of Assignment, copyright, recipes, trade secrets, the domain name www.australiadraught.com.au, the Australia Draught business name, confidential information and know how (**Australia Draught IP**); and
 - all contracts and arrangements entered into by the Company which relate to Australia Draught Beer, including employment contracts (**Australia Draught Contracts**).
- The assignment of the Australia Draught IP and Australia Draught Contracts from Australia Draught to the Company occurred from the settlement date, being 23 December 2013.

9. Lead Manager Mandate

Beer & Co has entered into a mandate with the Company to provide capital raising and issue management services in connection with the Offer;

The key terms of the Lead Manager Mandate are as follows:

- Beer & Co shall assist with the raising of up to \$15,000,000 under the Offer;
- Beer & Co is entitled to receive a capital raising fee of 6% of the funds raised under the Offer but excluding funds raised under the Priority Offer and funds raised from related entities of the Board and the Company; and
- Beer & Co is entitled to receive an issue management fee of 1% of the funds raised under the Offer.

Employment, Consultant and Service Agreements:

The whole of the provisions of the agreements are not repeated in this Prospectus.

10. Directors Deeds of Indemnity, Insurance and Access

Each of the Directors has entered into Deeds of Indemnity, Insurance and Access. The material terms of the Deeds of Indemnity, Insurance and Access are as follows:

- To the extent permitted by law, the Company indemnifies the director from any liabilities arising out of the Director discharging their duties and providing services as director;
- The directors will be given access to board papers and company files for a period up to seven (7) years from the date in which the Directors cease to be an officer of the Company;
- The Company must maintain an insurance policy for the Directors for the term in which they hold office and for a period of seven (7) years following the date they cease to be a Director.

11. Executive Employment Agreement with Kent Grogan

The Company has entered into an Executive Employment Agreement with Kent Grogan to govern his role as Chairman and Executive Director of the Company.

Pursuant to such agreement, Kent Grogan shall be entitled to a salary of \$360,000 (excl. superannuation) per annum, plus directors' fees of \$1 and reimbursement of all expenses incurred by Kent Grogan in connection with his employment (including without limitation travel expenses and telephone expenses).

12. Employment Agreement with Denis Coldebella

The Company has entered into an Employment Agreement with Denis Coldebella to govern his role as head brewer.

Pursuant to such agreement, Denis Coldebella shall be entitled to a salary of \$100,000 (excl. superannuation) per annum and reimbursement of all expenses incurred by Denis Coldebella in connection with his employment (including without limitation travel expenses and telephone expenses); and

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13. Director's Service Agreements

a) Directors Service Agreement – Mathew Boyes

The Company has entered into a Directors Service Agreement with Mathew Boyes. Pursuant to such agreement, Mathew Boyes shall be entitled to directors' fees of \$40,000 per annum;

b) Directors Service Agreement – Phillip Grundy

The Company has entered into a Directors Service Agreement with Phillip Grundy. Pursuant to such agreement, Phillip Grundy shall be entitled to directors' fees of \$40,000 per annum.

c) Directors Service Agreement – Geoff De Graaff

The Company has entered into a Directors Service Agreement with Geoff De Graaff. Pursuant to such agreement, Geoff De Graaff shall be entitled to directors' fees of \$40,000 per annum.

14. Restriction Agreements

The Company has entered or will enter into restriction agreements with holders of restricted securities for the purposes of complying with Chapter 9 of the Listing Rules. The Agreements are in the approved form as set out in Appendix 9A of the Listing Rules.

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10. Additional Information

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10. Additional information

10.1 Documents Available for Inspection

The following documents are available for inspection during normal office hours, free of charge, at the registered office of the Company for a period of at least 12 months from the date of lodgement of this Prospectus with the ASIC:

- (a) the current Constitution of the Company; and
- (b) the consents referred to in Section 10.4 of this Prospectus.

10.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in which he is a partner in connection with the formation or promotion of the Company.

10.3 Interests of Experts and Advisers

Except as disclosed below or elsewhere in this Prospectus, no expert nor any firm of which such expert is a partner, has or has had any interest in the formation or promotion of, or in any property proposed to be acquired by, the Company in connection with its formation or promotion, and no amounts have been paid (in cash or shares or otherwise), or agreed to be paid, to any expert or to any firm in which such expert is a partner for services rendered by him or the firm in connection with the promotion or formation of the Company.

- (a) ShineWing Australia Corporate Finance Pty Ltd has provided an Investigating Accountant's Report to the Company in relation to the Offer. Professional fees paid or payable to ShineWing Australia Corporate Finance Pty Ltd for preparation of the Investigating Accountant's Report are approximately \$79,000 excluding GST.
- (b) Professional fees payable to Pointon Partners Lawyers Pty Ltd for legal services provided in relation to this Prospectus are approximately \$140,000 (excl GST).
- (c) Beer & Co Pty Ltd have provided capital raising and issue management services to the Company in connection with the Offer and Beer & Co shall be entitled to a capital raising fee of 6% of funds raised under the Offer excluding funds raised under the Priority Offer and funds raised from related entities of the Board and the Company and an issue management fee of 1% of funds raised under the Offer.
- (d) Computershare Investor Services Pty Limited has acted as the share registry for the Company. Standard commercial fees are fees payable to Computershare Investor Services Pty Limited for share registry services in relation to the Offer made pursuant to this Prospectus.

10.4 Consents

The following consents have been given in accordance with the Corporations Act:

- (a) ShineWing Australia Corporate Finance Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Investigating Accountant and to the inclusion in this Prospectus of its Investigating Accountant's Report of this Prospectus in the form and context in which it is included and the statements which refer to ShineWing Australia Corporate Finance Pty Ltd in Section 7 of this Prospectus ('Financial Information'). Notwithstanding that it may be referred to elsewhere in this Prospectus, ShineWing Australia Corporate Finance Pty Ltd has only been involved in the preparation of the Investigating Accountant's Report and was not involved in the preparation of any other part of this Prospectus. ShineWing Australia Corporate Finance Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any

liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Investigating Accountant's Report.

- (b) ShineWing Australia has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company and to the inclusion of the statements which refer to ShineWing Australia in Section 7 of this Prospectus ('Financial Information'). ShineWing Australia did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (c) Pointon Partners Pty Ltd have given and have not, before lodgement of this Prospectus, withdrawn their written consent to being named in this Prospectus as solicitors to the Company in the form and context in which they are named. Pointon Partners Pty Ltd did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (d) Beer & Co Pty Ltd has given, and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Lead Manager of the Company. Beer & Co Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (e) Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

10.5 Expenses of the Offer

The estimated expenses of the Offer are as follows:

Expenses (A\$)	Minimum Amount (A\$)	Maximum Amount (A\$)
Legal Fees	\$159,500	\$159,500
Investigating Accountant Fees	\$86,900	\$86,900
Lead Manager Fees	\$107,600	\$153,800
Capital Raising Fees	\$184,500	\$460,700
ASX Listing Fees	\$89,500	\$94,900
Other	\$66,500	\$66,500
Total	\$694,500	\$1,022,300

Note: The above amounts are inclusive of GST

10.6 Litigation

The Company is not involved in any litigation, arbitration or other legal proceedings and the Directors are not aware of any threatened or pending litigation or arbitration against the Company, save for:

(a) trademark opposition proceedings brought by the Company in respect of two trade mark applications by Independent Brewery Pty Ltd as trustee for the Independent Brewery Unit Trust, being:

- Trade Mark Number 1564666; and
- Trade Mark Number 1591532.

10.7 Forecasts

The Company's underlying business model is still considered to be in a development phase, is relatively unproven, and the profitability and sustainability of its business model is uncertain. Given the nature of the Company's business operations, there are uncertainties associated with forecasting future revenue of the Company. On this basis, the Directors consider that reliable forecasts cannot be prepared and therefore no forecasts have been included in this Prospectus.

10.8 Working Capital Statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

10.9 Continuous Disclosure Obligations Following Listing

Following listing on the ASX, and pursuant to section 111AC of the Corporations Act, the Company will be a disclosing entity and will therefore be subject to regular reporting and disclosure obligations. Following listing on the ASX, the Company is required to continuously disclose all information to the market that a reasonable person would expect to have a material effect on the value or price of the Company's securities. All price-sensitive information will be released through the ASX before it is disclosed to market participants and shareholders, and the distribution of non-price sensitive information will also be managed through the ASX.

10.10 Directors' Statement

The Directors state that they have made all reasonable enquiries and have reasonable grounds to believe that any statements by the Directors in this Prospectus are true and not misleading and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716 of the Corporations Act to the issue of this Prospectus and have not withdrawn that consent, before lodgement of this Prospectus with the ASIC.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of any kind with whom Applicants may reasonably be expected to consult; and
- Information is known to Applicants or their professional advisers by virtue of any Acts or laws of the Commonwealth of Australia or any State of Australia.

11. Directors' authorisation

In accordance with section 720 of the Corporations Act, the lodgement and issue of this Prospectus has been consented to and authorised by each of the Directors.

Signed for and on behalf of the Company



Kent Grogan, Chairman and Executive Director

Dated: 23 August 2016



B

12. Glossary of terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

“\$” or “AS” means Australian dollars;

“2015 Foreign Investment Catalogue” means the Foreign Investment Industries Guidance Catalogue released on 10 March 2015 by the Chinese National Development and Reform Commission and the Chinese Ministry of Commerce;

“Admission” means the Company’s admission to the official list of the ASX following its application for admission under Chapters 1 and 2 of the ASX Listing Rules;

“AEST” means Australian Eastern Standard Time;

“Applicant” means a person who submits an Application;

“Application” means a valid application to subscribe for Shares under this Prospectus;

“Application Form” or “Application Forms” means the application form that is attached to and forms part of this Prospectus;

“ASIC” means Australian Securities and Investments Commission;

“ASTC” means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532);

“ASX” means Australian Stock Exchange Limited (ACN 008 624 691);

“ASX Listing Rules” means the listing rules of ASX as at the date of this Prospectus;

“Auditor” means the Company’s auditor, being ShineWing Australia (ABN 39 533 589 331);

“Australia Draught” means Australia Draught Pty Ltd (ACN 165 148 130), a wholly owned subsidiary of the Company;

“Australia Draught Beer” means the “Australia Draught” brand beer developed and retailed by Australia Draught;

“Australia Draught Contracts” means all contracts and arrangements entered into by the Company which relate to Australia Draught Beer;

“Australia Draught IP” means the intellectual property rights owned by the Company in relation to Australia Draught Beer;

“Australia Draught Warrant Subscription Agreements” means:

- (a) a Security Trust Deed between Australia Draught, the Warrant Subscribers and AD 2013 Notes Security Pty Ltd dated 23 December 2013 (Security Deed Trust);
- (b) a Equity Warrant Deed Poll between Australia Draught and each Warrant Subscriber, entered into on or around 23 December 2013 (Equity Warrant Deed Polls);
- (c) the General Security Agreement between Australia Draught and AD Notes, dated 23 December 2013; and
- (d) A facility arrangement comprising of a Facility Agreement between Australia Draught, the Warrant Subscribers, AD Notes and another, dated 23 December 2013, as well as several deeds of variation and a deed of assignment entered into in relation to same (Facility Arrangement).

“Beer & Co” means Beer & Co Pty Ltd (ACN 158 837 186), which will provide the services of Lead Manager in connection with the Offer;

“Board” means the Board of Directors of the Company unless the context indicates otherwise;

“Bookbuild” means a bookbuild relating to the Offer and undertaken through the Bookbuild Facility;

“Bookbuild Facility” means the automated on-market facility operated by the ASX to enable trading participants on behalf of an issuer to offer and allocate financial products, and to enable trading participants to enter bids for those financial products on behalf of eligible investors;

“Broo Exports” means Broo Exports Pty Ltd (ACN 157 726 924), a wholly-owned subsidiary of the Company which is currently dormant and not trading;

“Broo Group” means the Company, Australia Draught, Broo Exports, HKCo and ChinaCo;

“Broo Premium Lager” means the “Broo Premium Lager” brand beer developed and retailed by the Company;

“Business” means the business of developing, producing and distributing the Products;

“CGT” means capital gains tax;

“CHESS” means ASX Clearing House Electronic Subregistry System;

“ChinaCo” means Broo China Co., Ltd, a company to be established in China as a Wholly Foreign Owned Enterprise;

“China Distribution Agreement” means the distribution agreement between the Company and Henan Liquor, dated 12 September 2015;

“China Supply Agreement” means the supply and packaging agreement between the Company and Jinxing, dated 11 September 2015;

“Company” means Broo Ltd (ACN 060 793 099);

“Constitution” means the Constitution of the Company as at the date of issue of this Prospectus;

“Corporations Act” means the Corporations Act 2001 (Cth);

“CUB” means Carlton & United Breweries;

“Directors” means the board of directors of the Company as it is constituted from time to time;

“Equity Warrant Deed Polls” means the Equity Warrant Deed Polls entered into between Australia Draught and each Warrant Subscriber on or around 23 December 2013;

- “Exercise Period”** means the period during which the Options are exercisable, being at any time on or prior to the Expiry Date;
- “Exercise Price”** means the amount payable upon exercise of each Option, being \$0.30;
- “Expiry Date”** means the expiry date of the Options which is 4 years from the date of issue, being 4 July 2020;
- “Exposure Period”** means the period of seven (7) days after the date of lodgement of the Original Prospectus, which period may be extended by ASIC by not more than seven (7) days pursuant to s. 727(3) of the Corporations Act;
- “Facility Arrangement”** means the Facility Agreement between Australia Draught, the Warrant Subscribers, AD Notes and another, dated 23 December 2013, as well as several deeds of variation and a deed of assignment entered into in relation to same, which forms part of the Australia Draught Warrant Subscription Agreements.
- “General Offer”** means the offer to all eligible investors pursuant to this Prospectus, but which excludes the Priority Offer.
- “Henan Liquor”** means Henan Liquorstore Commercial Chain Management Co Ltd, a company incorporated in China;
- “HKCo”** means Broo (HK) Limited (Reg No 2386465), a wholly-owned subsidiary of the Company incorporated in Hong Kong;
- “Icon”** means Icon Brewing Company Pty Ltd, a third party contract brewing company based in New South Wales, Australia;
- “Issuer Sponsored”** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES;
- “Jinxing”** means Jinxing Beer Group Co., Ltd, a company incorporated in China;
- “Jinxing Broo Products”** means the products to be supplied and/or distributed under the China Supply Agreement and the China Distribution Agreement as applicable;
- “Lead Manager”** means Beer & Co;
- “Lion Nathan”** means Lion Pty Ltd, a subsidiary of Kirin Brewing Company;
- “Listing Rules”** means the ASX’s Listing Rules;
- “Minimum Application”** means the minimum application for Shares that can be made by an Applicant under this Offer, being valid subscriptions for at least 10,000 Shares;
- “Maximum Subscription”** means the maximum amount to be raised under the Offer made by this Prospectus, being \$15,000,000;
- “Minimum Subscription”** means the minimum amount to be raised under the Offer made by this Prospectus, being \$10,500,000;
- “MOFCOM”** means the Ministry of Commerce of the People’s Republic of China;
- “Offer”** means the offer made by this Prospectus to subscribe for up to 75,000,000 Shares at an issue price of \$0.20, and which comprises:
- (a) the General Offer; and
 - (b) the Priority Offer.
- “Offer Application Form”** means the Application Form attached to or accompanying this Prospectus and which relates to the Offer;
- “Offer Closing Date”** means 19 September 2016 or such earlier or later date as the Directors may determine;
- “Offer Period”** means the period commencing on the Opening Date and ending on the Offer Closing Date;
- “Offer Shares”** means the Shares issued under this Prospectus;
- “Official List”** means the official list of entities that ASX has admitted and not removed;
- “Official Quotation”** means official quotation by ASX in accordance with the ASX Listing Rules;
- “Opening Date”** means 23 August 2016 or as varied by the Directors;
- “Option”** means an option to subscribe for Shares in the capital of the Company;
- “Original Prospectus”** means the prospectus dated 18 July 2016 and which was lodged with ASIC on 18 July 2016;
- “PRC” or “China”** means the People’s Republic of China;
- “Priority Offer”** means the offer made to existing Shareholders of the Company as at the Priority Offer Record Date;
- “Priority Offer Record Date”** means 23 August 2016;
- “Products”** means the associated products of Australia Draught Beer and Broo Premium Lager;
- “Proposed Director”** means Mr Phillip Grundy;
- “Prospectus”** means this replacement Prospectus dated 23 August 2016 and which was lodged with ASIC on 23 August 2016;
- “RMB”** means renminbi;
- “Share”** means a fully paid ordinary share in the capital of the Company;
- “Shareholder”** means a holder of shares in the Company;
- “Share Registry”** means Computershare Investor Services Pty Limited;
- “Stamford”** means Stamford Wine Exports Pty Ltd (ACN 158 302 160);
- “Warrants”** means the warrants held by the Warrant Subscribers pursuant to the Australia Draught Warrant Subscription Agreements;
- “Warrant Subscribers”** means: the financiers to Australia Draught under the Facility Arrangement.

13. Application Form

For personal use only



How to complete this Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares (A\$ 2,000). Applications for greater than 10,000 Shares must be in multiples of 1,000 Shares (A\$ 200).

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A\$0.20.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHES
Broo Limited will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Broo Limited and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque, bank draft or money order payable in Australian dollars to 'Broo Ltd Subscription A/C' and cross it 'Not Negotiable'. Cheques must be drawn from an Australian bank. Cash will not be accepted. The total payment amount must agree with the amount shown in Step B. Complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Receipts will not be forwarded. Funds cannot be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Broo Limited is upon and subject to the terms of the Prospectus and the Constitution of Broo Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm AEST on Monday, 19 September 2016. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001

Neither CIS nor Broo Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Notice

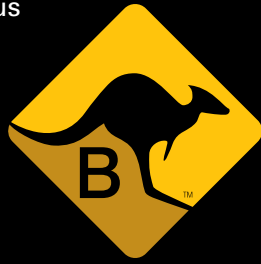
The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Broo Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Broo Limited 2016 Replacement Prospectus



Broo Limited

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