



ASX ANNOUNCEMENT

8 June 2018

STRATEGIC ACQUISITION AND CAPITAL RAISING

Gage Roads Brewing Co Ltd ("**Gage Roads**" or "**The Company**") (ASX: **GRB**) is pleased to announce that it has executed a binding agreement to acquire 100% of the shares in Matso's Broome Brewing Pty Ltd ("**Matso's**") for \$13.25 million plus deferred consideration of up to an additional \$2.8 million in cash or scrip subject to the achievement of performance criteria over a 3-year period.

The Company will undertake a \$10 million placement to institutional shareholders and a \$2 million share purchase plan as part funding of the transaction.

Gage Roads advises that the current trading halt in the Company's securities will remain in place pending an announcement in relation to the completion of the institutional placement.

BACKGROUND ON MATSO'S

Matso's is an iconic West Australian flavoured beer brand owned by the Peirson-Jones family in Broome. The brand is best known for its popular Ginger and Mango beer varieties. Originating in Western Australia's pearling town Broome, Matso's has become the leading nationally distributed alcoholic ginger beer and flavoured beer brand of Australia.

Matso's took its name from Matso's General Store, which was run by the Matsumoto family in the 1950's. Now the former store houses the Matso's brewery and pub which is a major Broome attraction.

By 2007, national demand for the refreshing Kimberley inspired beers had grown beyond the original venue's brewing capacity and almost all of the products have since been produced at Gage Roads' Palmyra plant with volumes growing to two million litres per annum.

Matso's Ginger Beer has the largest market share of the alcoholic ginger beer category and is outperforming category growth of 13% per annum.

TRANSACTION SUMMARY

- GRB to acquire 100% of the shares of Matso's Broome Brewing Pty Ltd.
- Consideration:
 - \$13.25 million cash consideration.
 - Year 1: 15,000,000 shares or \$1.2 million based on sales volume targets.
 - Year 2: 15,000,000 shares or \$1.2 million based on sales volume targets.
 - Year 3: 5,000,000 shares based on sales volume targets.
- Any shares issued as part of the performance-based consideration will be issued using the Company's placement capacity.
- The performance-based component aligns the vendor's interests with those of shareholders.
- As part of the acquisition, Gage Roads retains a three-year option to acquire the brewery venue in Broome.
- The Matso's brands currently generate in excess of \$2.5 million EBITDA per annum.

P +61 8 9314 0000
F +61 8 9331 2400
info@gageroads.com.au

Gage Roads Brewing Co Ltd
14 Absolon St, Palmyra
Western Australia 6157

PO Box 2024 Palmyra DC
Western Australia 6169

ABN 22 103 014 320
ASX: GRB

Gage Roads Brewing Co Limited has been one of Australia's leading craft breweries for over 14 years.

The Gage Roads craft range includes Atomic Pale Ale, Sleeping Giant IPA, Little Dove New World Pale Ale, Narrow Neck Session Ale, Breakwater Australian Pale Ale, Single Fin Summer Ale, Pils 3.5% and Small Batch Lager which have grown to become one of Australia's most popular suite of brands.

Through its contract brewing services division, Australian Quality Beverages, the Company also provides specialist contract brewing and packaging services to brand owners throughout Australia.

- Transaction value (assuming performance hurdles are met) represents circa 7 X incremental EBITDA.
- The acquisition is expected to deliver EPS accretion of over 20% based on current Matso's earnings.
- The transaction is scheduled to complete on 30 June 2018, subject to the satisfaction of conditions precedent.
- The key terms of the binding agreement are set out in Annexure A.

STRATEGIC RATIONALE

Acquiring the Matso's brands is a natural accelerant of the 5-year proprietary brand strategy (as depicted below and previously disclosed in the Company's 2017 Annual Report). At its core, this strategy seeks to deliver further improved margins and sustained earnings growth through the shift in sales mix towards higher-margin Gage Roads owned products.



The acquisition represents a major expansion of the Gage Roads brand portfolio. The additional Matso's brands at current volumes and strong profit margins provide Gage Roads the opportunity to leverage its existing national sales, marketing and distribution capability and deliver sustained earnings growth. Our history and knowledge of the Matso's brands and existing production capability minimises integration and sales risks allowing the incremental margins to truly flow through to and complement existing earnings in full.

With Gage Roads' strength of people, sales, marketing and distribution expertise we anticipate outperforming current volumes and growing the Matso's brands to their full national potential.

The acquisition provides significant benefits for shareholders including:

- Incremental earnings (based on current Matso's earnings) representing a circa 60% increase over current earnings.
- EPS accretive transaction.
- Unique high quality and high margin brands.
- Strong brand equity and consumer loyalty.
- A specialised liquor category in growth.
- Diversifies GRB's revenue streams into new categories.
- Complementary (non-competitive) to the existing GRB craft beer and ALBY range
- Leverages GRB's national sales, marketing and distribution capabilities.
- Limited integration risk or impact on brewing operations and cost structure as GRB currently produces the brands under contract.
- The transaction is expected to deliver over 20% EPS accretion.

For personal use only

TRANSACTION FUNDING

Gage Roads has today launched an institutional placement of 117.65 million ordinary shares at an issue price of \$0.085 per share to raise \$10 million. Argonaut Securities is acting as lead manager and sole book runner. Argonaut has also acted as Gage Roads' Corporate Advisor to the acquisition.

In addition, Gage Roads will offer a Shareholder Purchase Plan (**SPP**) at the same price as the institutional placement to raise a maximum of \$2.0 million. The Company will offer eligible shareholders with registered addresses in Australia or New Zealand as at 4.00pm Perth time on 7 June 2018 (the Record Date) an opportunity to participate in the SPP allowing them to acquire up to \$15,000 in new GRB shares. The SPP will be subject to a scale back at the discretion of the directors. Details of the SPP will be sent to shareholders in the near future.

The balance of the transaction will be funded via existing cash facilities. The Company has engaged with Commonwealth Bank of Australia to increase its current debt facilities accordingly, maintaining existing working capital head room and flexibility.

Gage Roads Managing Director John Hoedemaker said Matso's is an iconic WA Brand that was a natural fit for Gage Roads. "We have a long-standing relationship with the Peirson-Jones family having provided brewing and packaging services for Matso's since 2007. We're therefore delighted to reach an agreement that will see Matso's join the Gage Roads family".

"We're looking forward to adding Matso's to our portfolio and broadening our offering of high quality brands to our customers. The Peirson-Jones family has achieved terrific results with Matso's, including having created Australia's market leading Ginger Beer. We now have an exciting opportunity to position the brand for further growth through our national sales team."

Please find key terms of the agreement in Annexure A below and Investor Presentation attached.

FURTHER INFORMATION:

Marcel Brandenburg
Company Secretary
Gage Roads Brewing Co Ltd
Tel: (08) 9314 0000

Yvone Ball
Media/Investor Relations
Citadel-Magnus
0448 232 398

ANNEXURE A: KEY TERMS OF TERM SHEET

Set out below are the key aspects of the Binding Term Sheet (**Term Sheet**) between the Company and Matso's dated 7 June 2018.

Conditions Precedent

The Acquisition is subject to and conditional upon the following conditions precedent:

- (a) completion of formal due diligence by the Company; and
- (b) The Company, Matso's and the Vendors entering into:
 - (i) a formal sale and purchase agreement in relation to the Company's acquisition of all of the issued shares in Matso's;
 - (ii) a 6-year licence agreement on industry standard terms and conditions for the operation of the Matso's Broome Brewery; and
 - (iii) an agreement on standard terms that grants the Company a call option to acquire the Broome brewpub business with the option to be exercisable at any time from the date of Settlement, for a period of 36 months.

Consideration

In consideration for the Acquisition pursuant to the Term Sheet, the Company will pay the Vendors:

- (a) an initial sum of \$13,250,000 at settlement of the Acquisition (**Settlement**); and
- (b) in addition to the payment in clause (a) above, the following milestone related payments may also be paid (**Milestone Payments**) pursuant to the Term Sheet:
 - (i) if during the period from Settlement until the date which is 12-months after Settlement the Company achieves total sales of greater than 1.3 million litres of Matso's Ginger Beer, Matso's Mango Beer and other Matso's products, the Company shall pay the Vendors:
Milestone Payment 1 = X + Y
where:
 $X = (\text{Total Sales} - 1,300,000) \times \1.00
 $Y = (\text{Total Sales} - 1,700,000) \times \$(8/3)$
and:
if X is greater than \$400,000, X shall be \$400,000
if Y is greater than \$800,000, Y shall be \$800,000;
 - (ii) if during the period from the date which is 12 months after Settlement until the date which is 24 months after Settlement the Company achieves total sales of greater than 1.3 million litres of Matso's Ginger Beer, Matso's Mango Beer and other Matso's products, the Company shall pay the Vendors:
Milestone Payment 2 = X + Y
where:
 $X = (\text{Total Sales} - 1,300,000) \times \1.00
 $Y = (\text{Total Sales} - 1,700,000) \times \$(8/3)$
and:
if X is greater than \$400,000, X shall be \$400,000
if Y is greater than \$800,000, Y shall be \$800,000, and
 - (iii) a total of \$400,000 payable by the issue of Shares (being 5,000,000 Shares at a deemed issue price of 8 cents per Share) if the Company achieves sales of Matso's products of greater than 2.5 million litres during the period from the date which is 24 months after Settlement until the date which is 36 months after Settlement.

- (c) Where Milestone Payment 1 or Milestone Payment 2 is applicable, no later than 20 Business Days after the end of the relevant milestone period, the Vendors must notify the Company in writing whether it wishes to receive the relevant Milestone Payment:
 - (i) in cash; or
 - (ii) via the issue of that number of fully paid ordinary shares in the capital of the Company equal to the value of the Milestone Payment determined at \$0.08 per Share.
- (d) In the event of any takeover of the Company by a third party becoming unconditional, the Company will pay to the Vendors the maximum remaining amount payable for unpaid Milestone Payments (being \$1.2M each for Milestone Payment 1 and Milestone Payment 2 and \$0.4M for Milestone Payment 3) within seven (7) days of the Vendors notifying the Company as to whether it elects (at its sole discretion) to take these amounts in cash or in Shares.

The Term Sheet contains other terms and conditions considered standard for a transaction of its nature.

For personal use only

GAGE
ROADS
BREWING CO



**MATSO'S ACQUISITION AND CAPITAL
RAISING**

8 June 2018

IMPORTANT NOTICES

Forward-Looking Statements

This document contains statements that are "forward-looking". Generally, the words "expect," "intend," "estimate," "will" and similar expressions identify forward-looking statements. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, or that of our industry, to differ materially from those expressed or implied in any of our forward-looking statements.

Statements in this document regarding Gage Roads Brewing Company Limited's (the "Company") business or proposed business, which are not historical facts, are "forward-looking" statements that involve risks and uncertainties, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made.

The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Disclaimer

The purpose of this presentation is to provide background information to assist in obtaining a general understanding of the Company's proposals and objectives. This presentation may contain some references to forecasts, estimates, assumptions and other forward looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. This presentation is not to be considered as a recommendation by the Company or any of its subsidiaries, directors, officers, affiliates, associates or representatives that any person invest in its securities. It does not take into account the investment objectives, financial situation and particular needs of each potential investor. Investors should make and rely upon their own enquires and assessments before deciding to acquire or deal in the Company's securities. If you are unclear in relation to any matter or you have any questions, you should seek advice from an accountant or financial adviser.

All references to dollars (\$) and cents in this presentation are to Australian Dollar, unless otherwise stated.

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and securities may not be offered or sold, in the United States or any country outside Australia except to the extent permitted under the section captioned "International Offer Restrictions".



MATSO'S ACQUISITION

TRANSACTION SUMMARY

GRB to acquire 100% of the shares of Matso's Broome Brewing Pty Ltd.

- Consideration:
 - \$13.25 million cash consideration
 - Year 1: 15,000,000 shares or \$1.2 million based on sales volume targets
 - Year 2: 15,000,000 shares or \$1.2 million based on sales volume targets
 - Year 3: 5,000,000 shares based on sales volume targets
- The performance-based component aligns the vendor's interests with those of shareholders
- As part of the acquisition, Gage Roads retains a three-year option to acquire the brewery venue in Broome
- The Matso's brands currently generate in excess of \$2.5 million EBITDA per annum
- Transaction value (assuming performance hurdles are met) represents circa 7 X incremental EBITDA
- The acquisition is expected to deliver EPS accretion of over 20% based on current Matso's earnings
- The transaction is scheduled to complete on 30 June 2018, subject to the satisfaction of conditions precedent

ABOUT MATSO'S

- Iconic West Australian beer brand originating in Broome
- Famous products include Mango Beer and Ginger Beer
- Matso's Ginger beer has the largest market share in the alcoholic ginger beer market
- Outperforming ginger beer category growth (13% per annum)
- Sustained sales of approximately 2 million Litres per annum
- Strong margins
- Manufactured by Gage Roads since 2007



STRATEGIC RATIONALE

- Natural accelerant of our 5-year proprietary brand strategy (as previously disclosed)
- Unique high quality and high margin brands
- Strong brand equity and consumer loyalty
- A specialised liquor category in growth
- Diversifies GRB's revenue streams into new categories
- Complimentary (non-competitive) to the existing GRB craft beer and ALBY range
- Leverages GRB's national sales, marketing and distribution capabilities
- Limited integration risk or impact on brewing operations or cost structure as GRB currently produces the brands under contract
- Expected to deliver over 20% EPS accretion
- Strong potential to grow the brands





CAPITAL RAISING

EQUITY RAISING OVERVIEW

OFFER STRUCTURE & SIZE	<ul style="list-style-type: none"> • Placement to raise up to approximately \$10.0 million (before costs) through the issue of up to approximately 117.65 million fully paid ordinary shares in the Company (“New Shares”)
OFFER PRICING	<ul style="list-style-type: none"> • Offer price of \$0.085 per share, representing a: <ul style="list-style-type: none"> ○ Discount of 6.59% to the last close (Thursday, 7 June 2018) of \$0.0910 per share; ○ Discount of 5.68% to the 5 day VWAP of \$0.0901 per share; and ○ Discount of 1.90% to the 30 day VWAP of \$0.08665 per share.
USE OF PROCEEDS	<ul style="list-style-type: none"> • Acquisition of Matso’s • Acquisition & Offer Costs
LEAD MANAGER & SOLE BOOKRUNNER	<ul style="list-style-type: none"> • Argonaut Securities Pty Limited has been appointed as Lead Manager & Sole Bookrunner in respect of the Placement.
ELIGIBLE INVESTORS	<ul style="list-style-type: none"> • Placement to be made to domestic and international institutions and other eligible investors without a disclosure document.
NEW SHARES	<ul style="list-style-type: none"> • New Shares issued under the Placement will be listed on ASX and rank pari passu with existing shares (ASX:GRB) utilising the Company’s available placement capacity under ASX Listing Rule 7.1.
SHARE PURCHASE PLAN (SPP)	<ul style="list-style-type: none"> • In addition to the Placement, Gage Roads will also be conducting a SPP to raise up to a maximum of \$2.0 million through the issue of up to 23.53 million New Shares at \$0.085 per share • The SPP is not underwritten and does not form part of the Offer. • The indicative SPP record date will be 7 June 2018 such that participants in the Placement will not be eligible to participate in the SPP.

For personal use only

PRO FORMA CAPITAL STRUCTURE

EQUITY RAISING	SHARES (M)	AUD (M)
Issue Price	\$0.085/share	
Placement	117.65	10.0
SPP	23.53 ¹	2.0
Total Equity Raising	141.18¹	12.0

PRO FORMA CAPITAL STRUCTURE	UNITS	CURRENT	PRO FORMA
Share Price	<i>AUD / share</i>	0.085	
Shares on Issue	<i>M</i>	870.4	1,011.6 ^{1,2}
Unlisted Options on Issue	<i>M</i>	15.0	15.0
Undiluted Market Capitalisation @ \$0.085 per share	<i>AUD M</i>	74.0	86.0
Cash Balance	<i>AUD M</i>	5.6 ⁴	3.6 ^{1,3}
Debt	<i>AUD M</i>	-	-
Enterprise Value	<i>AUD M</i>	68.4	82.4

INDICATIVE SOURCES & USES OF FUND

SOURCES OF FUNDS	\$M	USES OF FUNDS	\$M
Existing cash reserves	2.00	Acquisition of Matso's (cash consideration component)	13.25
Placement	10.00	Acquisition & Offer Costs	0.75
Share Purchase Plan (SPP)	2.00 ¹		
Gross Proceeds	14.00	Total Uses ²	14.00

10 1. Assumption of full subscription under the SPP. General working capital will reduce to the extent of any shortfall in the SPP
 2. If the acquisition does not proceed, the Company reserves the rights to retain the funds with a view of applying them to future acquisitions or working capital

For personal use only

INSTITUTIONAL PLACEMENT INDICATIVE TIMETABLE

KEY EVENT	DATE
Trading Halt & Announcement of Equity Raising	Pre Market, Friday, 8 June 2018
Firm bids for Placement due	2:00pm, Friday, 8 June 2018
Confirmation letters sent to participants	4:00pm, Friday, 8 June 2018
Confirmation letters and CARD Forms returned	10:00am, Tuesday, 12 June 2018
Announcement of the results of the Equity Raising on ASX	Pre Open, Wednesday, 13 June 2018
Anticipated Placement DvP Settlement Date	Wednesday, 20 June 2018

APPENDIX: INTERNATIONAL OFFER RESTRICTION

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

European Economic Area – Germany and Luxembourg

This document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments unless such entity has requested to be treated as a non-professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2014/65/EC, "MiFID II") and the MiFID II Delegated Regulation (EU) 2017/565;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) unless such entity has requested to be treated as a non-professional client in accordance with MiFID II and the MiFID II Delegated Regulation (EU) 2017/565;
- to any person or entity who has requested to be treated as a professional client in accordance with MiFID II; or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 30 of the MiFID II unless such entity has requested to be treated as a non-professional client in accordance with the MiFID II Delegated Regulation (EU) 2017/565.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

APPENDIX: INTERNATIONAL OFFER RESTRICTION

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

APPENDIX: KEY RISKS

Introduction

The Shares offered under this Equity Raising Investor Presentation are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Equity Raising Investor Presentation and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Equity Raising Investor Presentation.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

Company specific

Potential for significant dilution

Upon implementation of the Offer, the number of Shares in the Company will increase from 870.4 million currently on issue to 1,011.6 million. This means that each Share will represent a lower proportion of the ownership of the Company. It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

Impact of failure to implement the Transaction

As set out in the Equity Raising Investor Presentation, the Company proposes to undertake the acquisition of Matso's in conjunction with the Offer. While the company has signed a binding Terms Sheet with the vendor, there are condition precedents usual with this type of acquisition. Should those condition precedents not be met, the terms of the acquisition may change or the acquisition may not complete.

Industry specific

Demand

The Company operates within the consumer goods sector in which demand for its products is subject to changes in consumer preferences and tastes. The nature of the business is such that its revenues are not secured and may fluctuate significantly over time. Any significant decrease in demand, and accordingly in sales volumes, would be likely to have a material adverse effect on the profitability of the Company.

Competition

The Company competes with a wide range of participants in the brewing industry. There can be no assurance that the actions or competitors or changes in consumer preferences will not adversely affect the Company's performance. It is also possible that new competitors will enter the brewing (particularly in the premium brewing segment where there have been a number of recent new entrants) and this also may adversely affect the Company's performance.

Acquisitions, Joint Ventures and Shareholder Dilution

The Company may assess strategic acquisitions and joint ventures as one of its growth strategies. The Company may pursue strategic acquisitions of businesses that complement its existing business. There can be no assurance that the Company will be able to successfully identify and implement such opportunities, acquire or integrate such businesses.

The consideration payable in respect of any such acquisition may consist wholly or partly of new Shares issued to the vendors, in which case the shareholdings of existing Shareholders will be diluted. Further, the Company may seek to raise additional capital, in order to fund acquisitions, or for other purposes, by new issues of Shares. This would also have the effect of diluting the shareholdings of existing Shareholders. The Company may also elect to fund acquisitions using existing or new bank facilities. The Directors will adopt prudent financial practices in assessing the appropriate funding mix.

Intellectual Property

The Company's commercial success depends in part on its ability to protect its intellectual property assets. The commercial value of these assets is dependent on legal protections provided by a combination of copyright, patent, confidentiality, trade mark, trade secrecy laws and other intellectual property rights. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or that competitors will not be able to produce non-infringing competitive products.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against the Company under copyright, trade secret, patent or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has interests, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations.

Brand Factors

The Company's products and services are sold under a number of brands. The Company's brands and its image are key assets to the Company. Should the brand or image be damaged in any way or lose its market appeal, the Company's business could be adversely impacted.

APPENDIX: KEY RISKS

Damage to facilities and warehouses

The Company owns or leases production, bottling and packaging facilities and warehouses. Damage to or destruction of these facilities could result in the loss of production capability or the loss of stock, adversely impacting the Company's financial results. It cannot be certain that the financial impact of any such event would be mitigated, fully or partially, by insurance.

Adverse change in input costs

The Company's financial performance is subject to a variety of input costs, which may change beyond the Company's control. This includes changes in the pricing of raw materials including malt, hops, bottles and packaging, fluctuations to changes in exchange rates relating to materials purchased in foreign markets and changes in and changes in utility costs such as electricity, gas and waste water services.

General Risks

Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- a) general economic outlook;
- b) introduction of tax reform or other new legislation;
- c) interest rates and inflation rates;
- d) changes in investor sentiment toward particular market sectors;
- e) the demand for, and supply of, capital; and
- f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. 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 and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Equity Raising Investor Presentation.

Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Equity Raising Investor Presentation.

Therefore, the Shares to be issued pursuant to this Equity Raising Investor Presentation carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Equity Raising Investor Presentation.

For personal use only



WWW.GAGEROADS.COM.AU