



BROO Limited

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9 August 2019

ASX Announcement

Queensland independent wholesale network supply agreement – Additional Information

Broo Limited ('Company') refers to its ASX announcement dated 7 August 2019 titled "Queensland independent wholesale network supply agreement" and provides the following additional information in relation to the binding heads of agreement with a Queensland independent wholesale network, the East End Hotel Group ('East End').

The agreement provides East End with exclusive Queensland distribution rights over Broo Premium Lager 4.2 ABV 330ml packaged bottles, a new Broo product that has been developed in collaboration with East End.

The East End Hotel Group - Bundaberg, is a proudly independent privately owned and operated group. They have been in operation for 20 years and are well known and respected in industry circles. Their retail operation consists of hotels and bottle shops and rank as one of the single biggest independent outlets in QLD. Their wholesale operation services both central and north QLD whilst working with several other wholesale operations selling to a large base of independent QLD hotels and bottle shops.

East End sell all major beer labels including the Company's brands, Broo and Australia Draught, among many other beer labels and non-beer categories. Over the past 6 months East End has grown to be one of Broo's most valued trading partners, with proven distribution capabilities of Broo's existing products.

The initial term of the agreement is 12 months and may be extended on further terms of 12 months by mutual agreement. The minimum sales target under the agreement is 2 million litres on an annual basis. Broo understands that East End currently sell substantially more than 2 million litres of local beer per year and the Company considers that East End have sufficient capacity to sell in excess of this minimum target amount under the agreement. Broo will supply its products under the agreement for a fixed wholesale margin, East End then retail through their own outlets in addition to wholesaling to others.

The minimum target volume exceeds the Company's existing production capabilities at its Mildura Brewery (which can produce 1.6 million litres per year) and necessitates external contract manufacturing for supply of the additional volume.



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Broo is close to finalising an agreement to facilitate contract brewing to ensure the Company is able to fulfil the volume requirement, terms have been agreed in principle with formal agreements to be signed in the near future. The Company is completely comfortable with our options to supply additional volume above and beyond the contracted volume.

Broo does not consider it will require extensive additional working capital to fulfil supply obligations under the agreement. If required, Broo is satisfied that funding can be secured promptly via either debt or equity raising to fulfil supply obligations under the agreement and fund Company operations.

ENDS

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