APPALACHIAN MOUNTAIN BREWERY

BOONE, NC

SUSTAINABILITY REPORT 2015



APPALACHIANMOUNTAINBREWERY.COM | 163 BOONE CREEK DR. BOONE, NC 28607



APPALACHIAN MOUNTAIN BREWERY

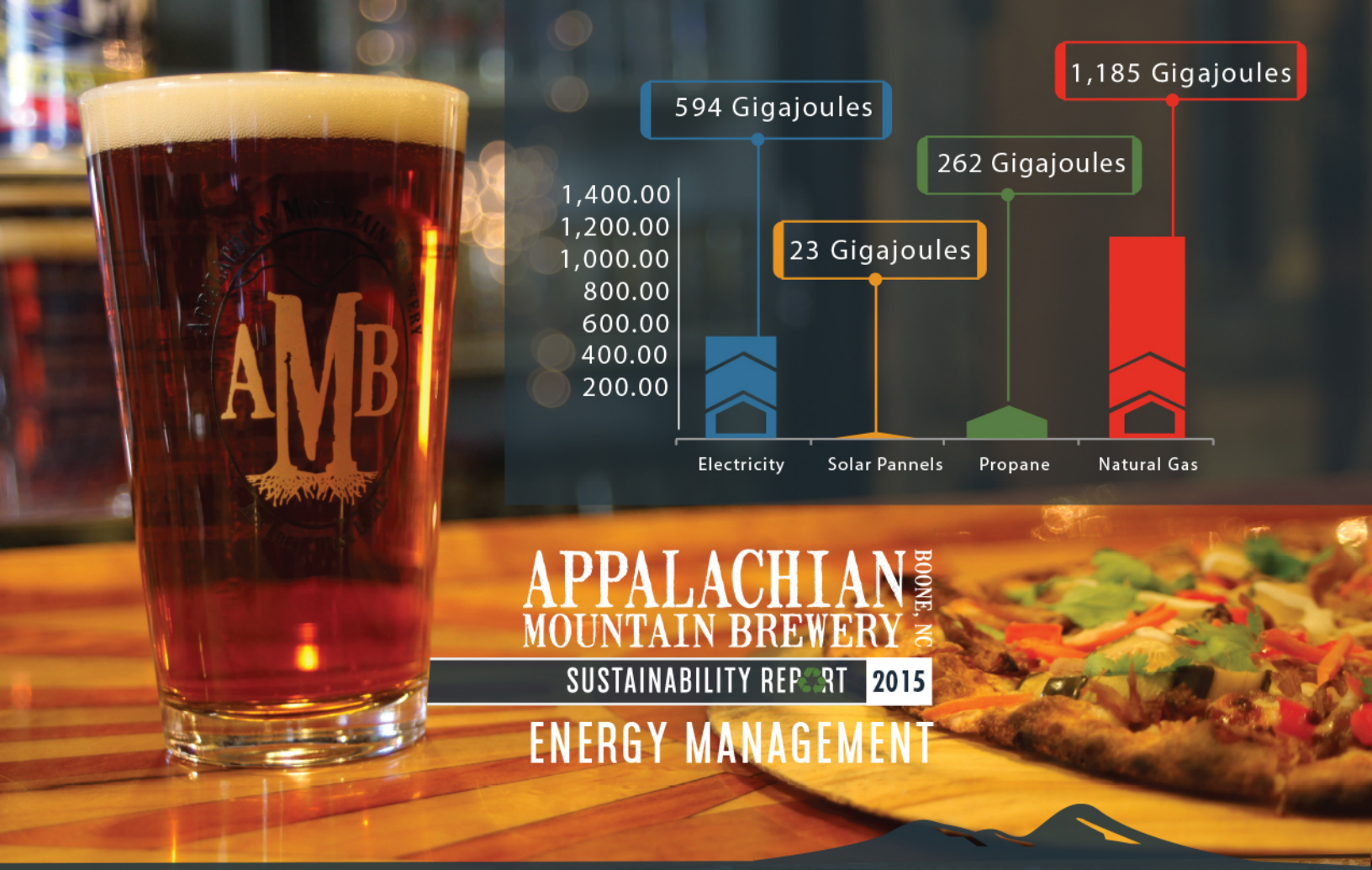
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FORWARD FROM CFO

At Appalachian Mountain Brewery Inc. (AMB), we have consistently stressed our dedication and commitment to sustainability, community, and philanthropy. Our mission is to sustainably brew high quality beer, support and revitalize the communities of the Appalachian Mountains, as well as lead the community by example, towards fulfilling the potential we all possess. In order to further cement our dedication to sustainability, we have decided to release our first sustainability report, a voluntary report regarding sustainability practices in major affected areas by the brewing industry. Through our engagement in voluntary disclosure, we seek to increase transparency with our investors, customers, suppliers, and local community. Furthermore, this initial report will serve as a benchmark for future performance. From our established baselines in this report, we can set targets for future performance and gauge our progress towards meeting those objectives. Additionally, this report will work to set the stage for future programs designed to further our sustainable practices. Our framework for measurement is the Sustainability Accounting Standards Board (SASB), an independent 501(c)3 non-profit that develops and disseminates sustainability accounting standards that help publicly-listed corporations disclose material factors in compliance with SEC requirements. Through these standards, along with associated education and outreach, SASB is working to increase the usefulness of information available to investors and improve corporate performance on the environmental, social, and governance issues most likely to impact firm value. If SASB disclosures become future requirements as a part of 10-K filings, our efforts at AMB will be even more prominent, as we will have already established our metrics and reporting process. In the remainder of this report, we will discuss our current progress in each of the following areas: energy, water, supply chain and ingredients, packaging, and marketing. Again, as our first SASB report, we have not yet developed specific targets or strategies to mitigate risks related to these areas. With continual growth, we remain confident that we will be able to better set objectives and meet those targets as a means of continuing our drive towards sustainability, community, and philanthropy.

Sincerely,
Jeremy Barnes, CFO



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ENERGY MANAGEMENT

0.61 GIGAJOULES PER BARREL

ELECTRICITY CONSUMPTION

RENEWABLE ENERGY- 3.7%
PURCHASED GRID- 96.3%

TOTAL ENERGY CONSUMPTION

RENEWABLE ENERGY- 1%
PURCHASED GRID- 29%
PROPANE -13%
NATURAL GAS - 57%



Our energy needs are mostly met through local energy companies. Although we are limited by our size and capital in increasing our use of renewable energy, our electricity demands are partially offset by our highly efficient solar panels. Our southwest-facing roof has a 5kw array of photovoltaic panels. These panels convert sunlight directly into electricity and feed immediately into our brewery. In addition to generating electricity, we have a system that monitors our electricity production. Currently, 1% of our energy consumption is from renewable sources. If we factor out propane and natural gas, renewable energy comprises 3.7% of electricity alone. Because of this relatively low percentage, we to intend expand our renewable energy sources going forward. Even our subsidiary food truck (Farm2Flame) uses a wood-fired oven for the majority of its energy needs. Purchased grid electricity accounts for 29% of our energy consumption, while propane accounts for 13% of our energy needs, and natural gas comprises the emaining 57%. During 2015, our total energy consumption was 2,063 gigajoules, an increase from 917 gigajoules from prior year, largely as a result of increased operations and the addition of our cidery subsidiary. Our total energy consumption per barrel of beer for 2015 was 0.61 gigajoules per barrel.

APPALACHIAN MOUNTAIN BREWERY

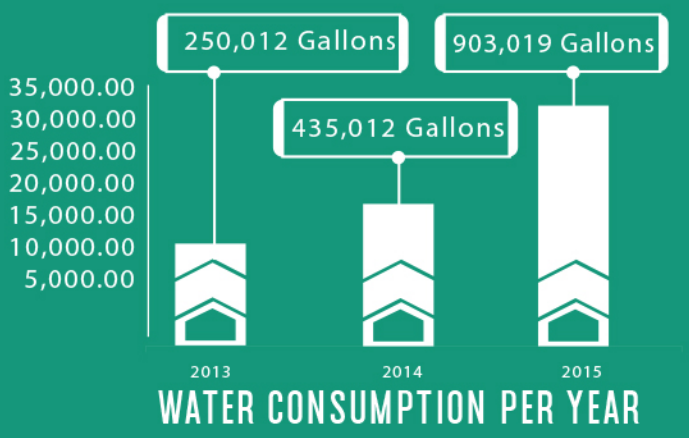
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WATER MANAGEMENT

266

GALLONS OF WATER PER BARREL



WATER CONSUMPTION PER YEAR

Because water is an essential ingredient to our product, we are limited in our capacity for water reduction. Though we cannot significantly reduce the amount of water that ends up in our final product, we can work to use our water more efficiently. Our main opportunity lies within the equipment we use in our brew process. More robust brewers can reduce the amount of water lost in the manufacturing process, often in filtration, enabling more efficient use of water supply. Due to the intense capital expenditures required to upgrade our equipment, we are focused on growth as a means of obtaining the necessary capital for equipment upgrade and, thus, more efficient water use. Currently, all of our water is sourced form our local Town of Boone Water. The Town of Boone acquires its water primarily from Boone's local South Fork New River, with marginal supply coming from Winkler's Creek, both local freshwater sources. We are not located in a high or extremely high baseline water stress area. During 2015, we used a total of 903,019 gallons of water, an increase of 48% from prior year. Our increase in water consumption is largely due to the addition of the cidery to our business operations and increased beer production. Our total water consumption per barrel of beer for 2015 was 266 gallons, which encompasses all of our water needs, including those of our subsidiaries, and not just beer production alone.



Our marketing efforts include our website, Facebook, newspaper, and local print advertisements that take place across the state. We have not received any notices of violation, paid any fines, or made any settlements regarding our marketing activities since inception. While we do not yet have a responsible drinking program, given our size and age, we do anonymously sponsor a local addictions and substance abuse counseling session. Based on our data, underage impressions have only resulted in 12% of our total market outreach. Our data comes from Google analytics, and Facebook. For 2015, we had a total of 864,415 impressions, made with only 101, 977 (88.2%) having impressions on those under the age of 21. Because our Facebook statistics group those between the ages of 18 to 24 as one category, we cannot precisely state what our underage impressions are. As such, we estimate our underage impressions by assuming an equal distribution of impressions across each the ages. With added growth, we can further our encouragement for responsible drinking and have a more effective outreach to discourage addiction and underage consumption.





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PACKAGING LIFECYCLE MANAGEMENT

At AMB, we outsource all of our packaging. Our packaging companies are Cask, Pak Tech, and Custom Packaging. Cask provides us with our aluminum cans, with an Aluminum Association confirming that the aluminum can recycled metal content in the United States (U.S.) is 70%, including the body and the end tab. This value was calculated according to the most recent AA Life Cycle Assessment (December, 2014). According to Cask, it is important to highlight the fact that what is ultimately significant in terms of environmental impact is the actual recycling rate. U.S. beverage cans were recycled at a rate of 67% in 2014, twice the rate of glass in 2012 (34%). 100% of Casks'end-product is recyclable. Cask was unable to provide us with the total weight of packaging AMB sourced form them during 2015. Cask maintains their dedication to reducing their environmental footprint and has implemented a program to cut their footprint by one quarter. Pak Tech provides us with all of our Quadpak carry tops for our four-pack cans that are distributed for resale. We are planning to move from Quadpakcarry tops to cardboard in the future.During 2015, we purchased a total of 2,530 lbs. of materials from Pak Tech. 99.5% of Pak Tech's materials are sourced from recycled or renewable resources and 100% of their end packaging is compostable. Pak Tech is currently working to continue its use of recycled materials through utilizing all of their post-consumer recycled materials for the manufacturing of its handles, maintaining 100% recyclability in an attempt to avoid landfills. We do not have any information regarding Custom Packaging but will be working to include this information going forward. As with other risks identified in this report, we will be better positioned to dictate our packaging expectations and assert greater influence on our vendors as we grow. In terms of risk, we are exposed to a potential shortage in our supply of cans due to the increased demand for cans in the whole U.S. beverage industry. We can mitigate this risk partially though engaging in long-term contracts with our suppliers going forward. We are committed, and have always been committed, to using aluminum cans as our primary packaging because of its lifespan. Generally, glass bottles are projected to have a lifespan, given exposure to the natural environment, of around one million years in comparison to cans, which are predicted to have a lifespan of between 200 and 500 years. Though many consumers initially prefer glass bottles to cans, our customer base is heavily supportive of our environmental causes and mitigation strategies.



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ENVIRONMENTAL AND SOCIAL IMPACTS OF INGREDIENT SUPPLY CHAIN

In preparing this report, we received information from one of our primary suppliers regarding our ingredient supply chain, Riverbend Malt. Riverbend Malt supplies us with malts used in beer production. They are a local company operating in an area that is not at high or extremely high baseline water stress levels. In regards to our other suppliers, we do not currently have information regarding whether they or their materials are based in areas deemed to have high or extremely high baseline water stress levels. Riverbend has not experienced any non-conformance or resulting corrective action. Riverbend sources all of their materials from small farms (less than 50 employees) within a 500-mile radius. Riverbend pays above market price for all of their raw materials and is a certified living wage employer. As with any company in the brewing industry, malt and hops are the primary ingredients we use to craft our beer. As such, we are exposed to risk in sourcing these materials. We are particularly exposed to risk in terms of our ingredients that come from suppliers which source out of Europe. Due to our size, we do not possess enough buyer power to have a major influence on suppliers as do their more mature customers. As such, we are unable to require supplier diversification, implement supplier training programs, conduct supplier environmental audits, or have significant engagement relating to human and employee rights. As we continue to grow, we can gain more influence and flexibility in regards to our suppliers. Growth will enable us to have more influence on our suppliers and be more selective. Going forward, we aspire to attain stronger supplier relations as to further increase social and environmental sustainability in our supply chain. Despite our limited capacity, we still seek to mitigate our environmental and social risks through our drive to source locally. Because quality is our hallmark, we face limitations in our capacity to source locally. Additionally, as with Riverbend, most of our suppliers are small firms that are committed to fair wages and employee practices. Moving forward, we anticipate to obtain more information and provide more extensive disclosure on our primary suppliers and the risk they expose. With added information from our suppliers, we can further set targets and manage our progress towards those goals.



ACKNOWLEDGMENTS

Without the support of Appalachian State University, compilation of this report would not have been possible. We sincerely want to thank Appalachian State for not only providing us with access to the necessary human resources needed to develop these disclosures but also their commitment to the local community and sustainability. Appalachian has played an integral role in furthering education regarding sustainability practices in a way that serves to help protect and inform future generations on the sustainability issues we face globally. We also thank Appalachian's Accounting department for their unparalleled dedication to their students and support of local businesses, especially in regards to their sustainability efforts. Specifically, we thank Dr. Tammy Kowalczyk for being instrumental in helping us launch our first ever SASB report. Dr. Kowalczyk has not only exhibited a sincere dedication to Appalachian and their sustainability efforts but has also been an advocate for the direction we are headed at AMB and continues to provide her encouragement and support. Additionally, we want to thank Alex Helms, a graduate accounting and research assistant at Appalachian, for his compilation and design of this report. Alex provided great attention to detail, enabling our report to meet that of SASB standards.