

National Distribution Platform Produces Results

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Highlights:

- Sales revenue of \$1.2m for the first half of FY07, up 212% on the corresponding half year period FY06
- Strong growth in distribution, retail outlets more than doubling over the last 6 months
- New marketing team implements the national marketing strategy in the eastern states
- Diversification Gage Roads enters the contract brewing market
- Capital works continue to improve efficiency and increase brewing capacity

The Directors of Gage Roads Brewing Co continue to focus on the company's long-term brand building strategy. The strategy outlined in the Prospectus, of building a portfolio of premium craft brewed beers and distributing them throughout the national market, is progressing well.

The company's distribution partnership with the Hardy Wine Company is developing strongly. Gage Roads' three beer brands are now being sold in all states and territories throughout Australia.

Product ranging in the key national liquor chains continues to expand. All Gage Roads products have recently been listed nationally with Woolworths' 'Dan Murphy's' chain of stores.

The national marketing campaign has commenced. Sponsorship, promotions and print advertising campaigns, both local and national, are underway resulting in growing consumer awareness of Gage Roads. Major event sponsorships include the Lorne Pier to Pub Swim, the Rottnest Channel Swim, the Melbourne International Comedy Festival, and the Wild West Comedy Festival.



As foreshadowed in the Prospectus, Gage Roads has diversified into contract brewing for third parties. The first agreement to brew draught beer was recently executed with Oz Brewing Ltd, and the company is presently pursuing other opportunities in this area.

Near-term infrastructure upgrades identified in the Prospectus are nearing completion with the installation of new tanks increasing the fermentation and conditioning capacity of the brewery.

Sales revenue, distribution and expenditure are all tracking in line with expectations.

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