

Appendix 4E Preliminary Final Report

Gage Roads Brewing Co Limited
ABN 22 103 014 320

For the financial year ended 30 June 2007

Results for Announcement to the Market

Revenue from ordinary activities	up	82.0%	to	2,120,702
Loss from ordinary activities after tax attributable to members	up	55.4%	to	(3,071,324)
Net loss attributable to members	up	55.4%	to	(3,071,324)

Dividends (distributions)

There were no dividends declared for the period.
The company does not have a Dividend Re-investment Plan.

Net tangible assets per share	30 June 2007	30 June 2006
	\$	\$
	0.09	0.04

Statement of retained earnings (accumulated loss)	30 June 2007	30 June 2006
	\$	\$
Balance 1 July	(3,364,300)	(1,387,923)
Net loss for the year	(3,071,324)	(1,976,377)
Balance 30 June	<u>(6,435,624)</u>	<u>(3,364,300)</u>

Details of controlled entities

There were no controlled entities acquired or disposed of during the period.

Details of associates and joint venture entities

There were no associates or joint venture entities associated with the company for the period.

Previous corresponding period

The previous corresponding period is the year ended 30 June 2006.

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Commentary on the results for the year ended 30 June 2007

Significant transformation of Gage Roads Brewing Co Limited ("Company") occurred during the 2007 financial year. The Company changed from a proprietary limited company to a public unlisted company in September 2006, and to a publicly listed company in December 2006. A national distribution agreement for packaged beer commenced with the Hardy Wine Company in August 2006.

To gain maximum leverage from the distribution agreement, an experienced fast-moving consumer goods marketing executive was recruited in September 2006 as national marketing manager for Gage Roads. The initial national marketing campaign included significant activity in the Eastern States. Sponsorship, promotions and print advertising campaigns, locally and nationally, resulted in growing consumer awareness of Gage Roads' premium beer.

Gage Roads was named Western Australia's "Top Emerging Brand" for 2007 in WA Business News' annual brand survey in July 2007.

At corporate level, Michael Perrott was appointed to the Board of Directors in October 2006 as an independent, non-executive director. Michael has extensive public company experience, including directorships on several listed public companies, and is Chairman of the Board. Paul McKenzie remains a non-executive director of the Company.

The Company lodged a prospectus for an Initial Public Offering (IPO) of shares in November 2006. The offer closed oversubscribed and the Company successfully applied for quotation on the official list of the Australian Stock Exchange. Shares began trading on the ASX on 13th December 2006.

The IPO raised \$4 million, which combined with pre-IPO cash reserves, was applied in accordance with the objectives outlined in the prospectus. The Company held cash reserves of \$2.5 million at 30 June 2007.

The strategic focus of the Company remains the long-term positioning of a portfolio of craft brewed brands in the Australian premium beer market to generate strong cash flows and increase shareholder value.

Sales Highlights FY07:

- Carton sales up 115%
- Revenue \$2.1m, up 82%
- Distribution outlets (bottles), up more than 300%
- Distribution outlets (draught), up 50%

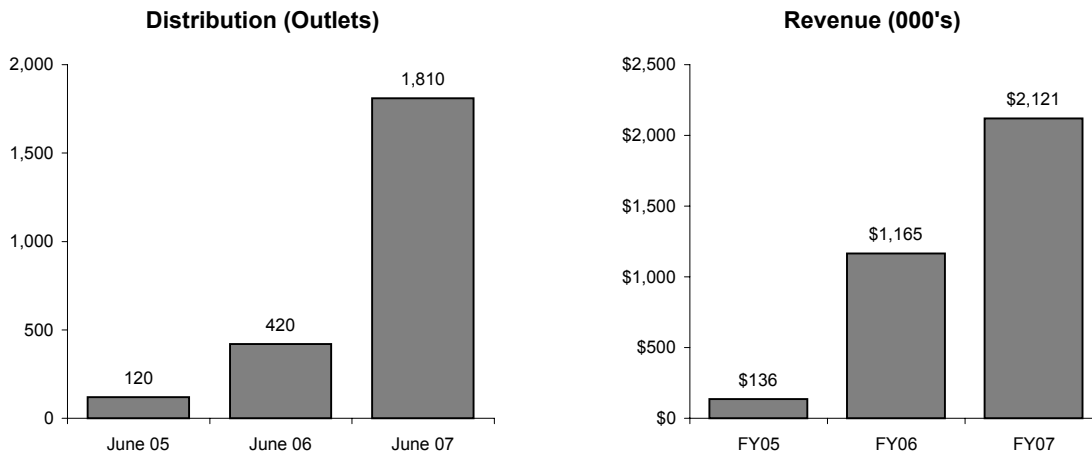
The Company has achieved solid growth in packaged beer sales and the number of retail stockists as a result of the distribution agreement with the Hardy Wine Company. The Hardy Wine Company and Gage Roads have established a sound working relationship, and the number of retail outlets has increased by more than 300%. To further develop sales momentum, Hardy Wine Company has recently appointed an internal brand manager to drive the growth of Gage Roads' brands.

Gage Roads is now available nationwide through more than 1800 outlets including national liquor chains and independent bottle shops, including major retailers Coles and Woolworths, in five states.

The expanded distribution platform achieved a 115% increase in carton sales and an 82% increase in revenue to \$2.1m for the financial year.

In addition, over the past few months the Company has increased the number of draught tap points in WA by more than 50%. The Company is committed to an increased draught presence in WA and is currently developing a distribution platform to expand draught beer sales in the Eastern States.

Commentary on the results for the year ended 30 June 2007



Financially, investment in new product development, market support and brand building resulted in a net loss after tax of (\$3,071,324) for the financial year. The result includes a non-cash expense of \$655,992 in accordance with AIFRS guidelines relating to the residual expensing of directors' options issued December 2003 which were exercised during the period (\$505,058) and the expensing of directors' and draught program options attributable to the period (\$150,934). The net loss after tax for the year after income tax and before this non cash adjustment was (\$2,415,332).

The result is in line with the Board's expectations and consistent with the long term strategy of building a portfolio of premium Australian beer brands. The Company is now well positioned to capitalise on the distribution platform achieved in conjunction with Hardy Wine Company. Over the coming year, the Company will allocate further resources towards the execution of a new national brand building campaign to increase sales across the expanded retail base.

During the past year Gage Roads won numerous awards for each of its three beers at the Perth Royal Beer Show, the Sydney Royal Fine Food Show, and the Australian International Beer Awards (AIBA). At the AIBA, Gage Roads won medals for every exhibit entered including packaging awards for our innovative three-packs. In addition, Gage Roads IPA won the trophy for Best Draught Ale and Gage Roads PILS won trophies for Best Draught Midstrength and Best Bottled Midstrength.

New product launches are scheduled for the coming year as part of the "Gage Roads World Tour". A range of specialty limited release beers will commence sales in September 2007 in bottles and draught.

There was no dividend paid or declared during financial year 2007.

Earnings per share for the year ended 30 June 2007 was (\$0.10), and diluted earnings per share was (\$0.06)

Income Statement

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

	Notes	2007 \$	2006 \$
Revenue from continuing operations	1	2,120,702	1,165,061
Other income		888	4,786
Raw materials,excise,consumables & delivery		(1,237,887)	(596,682)
Operating expenses		(426,494)	(340,579)
Employee expense		(1,919,959)	(1,190,284)
Depreciation and amortisation expense	2	(118,578)	(107,599)
Sales and marketing		(921,741)	(586,594)
Administration costs		(407,304)	(189,362)
Occupancy costs		(107,783)	(100,027)
Finance costs	2	(53,168)	(35,097)
Loss before income tax		(3,071,324)	(1,976,377)
Income tax expense	3	-	-
Loss for the year		(3,071,324)	(1,976,377)
Loss attributable to members of Gage Roads Brewing Co Ltd		(3,071,324)	(1,976,377)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	22	(0.10)	(1.22)
Diluted earnings per share	22	(0.06)	(0.04)

The above income statement should be read in conjunction with the accompanying notes.

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Balance sheet

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

	Notes	2007 \$	2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	2,475,775	1,272,314
Trade and other receivables	5	325,785	212,037
Inventories	6	274,584	226,725
Total current assets		<u>3,076,144</u>	<u>1,711,076</u>
Non-current assets			
Property, plant and equipment	7	2,319,057	1,693,595
Intangible assets	8	3,769	3,769
Other	9	2,552	2,736
Total non-current assets		<u>2,325,378</u>	<u>1,700,100</u>
Total assets		<u>5,401,522</u>	<u>3,411,176</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	381,462	208,830
Borrowings	11	145,188	133,344
Provisions	12	61,259	37,958
Total current liabilities		<u>587,909</u>	<u>380,132</u>
Non-current liabilities			
Borrowings	13	444,101	589,287
Total non-current liabilities		<u>444,101</u>	<u>589,287</u>
Total liabilities		<u>1,032,010</u>	<u>969,419</u>
Net assets		<u>4,369,512</u>	<u>2,441,757</u>
EQUITY			
Contributed equity	14	10,654,202	5,406,500
Share options reserve	15	150,934	399,557
Accumulated losses	15	(6,435,624)	(3,364,300)
Total equity		<u>4,369,512</u>	<u>2,441,757</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

	Notes	2007 \$	2006 \$
Total equity at the beginning of the financial year		<u>2,441,757</u>	<u>2,399,421</u>
Loss for the year		<u>(3,071,324)</u>	<u>(1,976,377)</u>
Total recognised income and expense for the year attributable to the members of Gage Roads Brewing Co Ltd		<u>(3,071,324)</u>	<u>(1,976,377)</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	14	5,247,702	1,710,725
Director share options issued	15	149,596	307,988
Other share options issued	15	1,338	-
Director share options converted to equity	15	(399,557)	-
		<u>4,999,079</u>	<u>2,018,713</u>
Total equity at the end of the financial year		<u>4,369,512</u>	<u>2,441,757</u>
Total recognised income and expense for the year is attributable to:			
Members of Gage Roads Brewing Co Ltd		<u>(3,071,324)</u>	<u>(1,976,377)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Cash flow statement

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,165,997	1,312,865
Payments to suppliers and employees (inclusive of GST)		<u>(4,517,102)</u>	<u>(3,019,791)</u>
		(2,351,105)	(1,706,926)
Interest received		141,845	31,271
Interest paid		<u>(53,168)</u>	<u>(35,097)</u>
Net cash outflow from operating activities	16	<u>(2,262,428)</u>	<u>(1,710,752)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(743,855)	(223,060)
Payments for intangibles		-	(789)
Net cash outflow from investing activities		<u>(743,855)</u>	<u>(223,849)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		4,343,087	1,710,724
Proceeds from borrowings		-	673,826
Repayment of borrowings		<u>(133,343)</u>	<u>(70,164)</u>
Net cash inflow from financing activities		<u>4,209,744</u>	<u>2,314,386</u>
Net increase in cash and cash equivalents		1,203,461	379,785
Cash and cash equivalents at the beginning of the financial year		<u>1,272,314</u>	<u>892,529</u>
Cash and cash equivalents at the end of the financial year	4	<u>2,475,775</u>	<u>1,272,314</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 1 : Revenue

	2007	2006
	\$	\$
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	<u>1,978,857</u>	<u>1,128,665</u>
	1,978,857	1,128,665
<i>Other revenue</i>		
Interest	<u>141,845</u>	<u>36,396</u>
	2,120,702	1,165,061

Note 2 : Expenses

	2007	2006
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	82,341	69,651
Office equipment	8,828	9,163
Motor vehicles	<u>27,225</u>	<u>28,601</u>
Total depreciation	<u>118,394</u>	<u>107,415</u>
<i>Amortisation</i>		
Establishment expenses	<u>184</u>	<u>184</u>
Total amortisation	<u>184</u>	<u>184</u>
<i>Bad Debt Expense</i>		
Bad debts written off	<u>28,350</u>	<u>35,097</u>
Bad Debts Expensed	<u>28,350</u>	<u>35,097</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>53,168</u>	<u>35,097</u>
Finance costs expensed	<u>53,168</u>	<u>35,097</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>97,243</u>	<u>90,885</u>
Total rental expense relating to operating leases	<u>97,243</u>	<u>90,885</u>
Defined contribution superannuation expense	<u>93,575</u>	<u>66,617</u>

Note 3 : Income tax expense

	2007	2006
	\$	\$
(a) Income tax expense		
Current tax	-	-
Deferred tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 3 : Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss before income tax expense	<u>(3,071,324)</u>	<u>(1,976,377)</u>
Tax at the Australian tax rate of 30% (2005 - 30%)	<u>(921,397)</u>	<u>(592,913)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	<u>196,396</u>	<u>92,396</u>
Fines and entertaining	<u>2,935</u>	<u>1,730</u>
	<u>(722,066)</u>	<u>(498,787)</u>
Taxation benefit not recognised	<u>722,066</u>	<u>498,787</u>
Income tax expense	<u>-</u>	<u>-</u>

(c) Unrecognised tax losses

Unused tax losses for which no deferred tax asset has been recognised	<u>5,367,684</u>	<u>2,960,796</u>
Potential tax benefit@ 30%	<u>1,610,305</u>	<u>888,239</u>

(d) Unrecognised temporary differences

Deferred tax assets and liabilities have not been brought to account in 2007 after considering the level of tax losses carried forward and available to the company against future taxable profits and the certainty within the immediate future that taxable profits will be available against which the benefit of the deductible temporary differences can be

Note 4 : Current assets - Cash and cash equivalents

	2007	2006
	\$	\$
Cash at bank and in hand	<u>2,475,775</u>	<u>1,272,314</u>
	<u>2,475,775</u>	<u>1,272,314</u>

(a) Reconciliation to cash at the end of the year

The above figure agrees to cash at the end of the financial year as shown in the cash flow statement.

(b) Cash at bank and on hand

The cash at bank and in hand balances above bear interest rates of between 0% and 6.25%.

Note 5 : Current assets - Trade and other receivables

	2007	2006
	\$	\$
Trade receivables	<u>273,382</u>	<u>181,206</u>
GST receivable	<u>33,234</u>	<u>25,617</u>
Other receivables	<u>19,168</u>	<u>5,214</u>
	<u>325,785</u>	<u>212,037</u>

(a) Bad and doubtful trade receivables

The Company has not made any provision in respect of bad and doubtful trade receivables during the years ended 30 June 2007 or 30 June 2006.

(b) Effective interest rates and credit risk

There are no interest-bearing balances in receivables, therefore the Company has no interest rate risk. There is no concentration of credit risk with respect to trade receivables, as the Group has a range of customers, nationally dispersed.

Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 6 : Current assets - Inventories

	2007 \$	2006 \$
Raw material and stores - at cost	217,491	98,568
Work-in-progress - at cost	15,036	8,017
Finished goods - at cost	42,057	120,140
	<u>274,584</u>	<u>226,725</u>

Inventory expense

Inventories recognised as an expense during the year ended 30 June 2007 amounted to \$1,237,887 (2006: \$596,682).

Note 7 : Non-current assets - Property, plant and equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 1 July 2005				
Cost or fair value	1,455,362	28,806	173,961	1,658,129
Accumulated depreciation	(74,942)	(9,098)	(22,099)	(106,139)
Net book amount	<u>1,380,420</u>	<u>19,708</u>	<u>151,862</u>	<u>1,551,990</u>
Year ended 30 June 2006				
Opening net book amount	1,380,420	19,708	151,862	1,551,990
Additions	213,056	7,363	28,601	249,020
Depreciation charge	(69,651)	(9,163)	(28,601)	(107,415)
Closing net book amount	<u>1,523,825</u>	<u>17,908</u>	<u>151,862</u>	<u>1,693,595</u>
At 30 June 2006				
Cost or fair value	1,668,418	36,169	202,562	1,907,149
Accumulated depreciation	(144,593)	(18,261)	(50,700)	(213,554)
Net book amount	<u>1,523,825</u>	<u>17,908</u>	<u>151,862</u>	<u>1,693,595</u>
Year ended 30 June 2007				
Opening net book amount	1,523,825	17,908	151,862	1,693,595
Additions	722,053	21,803	-	743,856
Depreciation charge	(82,341)	(8,829)	(27,224)	(118,394)
Closing net book amount	<u>2,163,537</u>	<u>30,882</u>	<u>124,638</u>	<u>2,319,057</u>
At 30 June 2007				
Cost or fair value	2,390,471	57,972	202,562	2,651,005
Accumulated depreciation	(226,934)	(27,090)	(77,924)	(331,948)
Net book amount	<u>2,163,537</u>	<u>30,882</u>	<u>124,638</u>	<u>2,319,057</u>

(b) Non-current assets pledged as security.

Refer to note 13 for information on non-current assets pledged as security by the Company.

Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 8 : Non-current assets - Intangible assets

At 1 July 2005

Cost or fair value	2,980
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Year ended 30 June 2006

Opening net book amount	2,980
Additions	789
Closing net book amount	3,769

At 30 June 2006

Cost or fair value	3,769
Net book amount	3,769

Year ended 30 June 2007

Opening net book amount	3,769
Closing net book amount	3,769

Trademarks

Trademarks are considered to have a infinite useful life.

Note 9 : Non-current assets - Other

	2007	2006
	\$	\$
Establishment and borrowing costs	2,552	2,736
	<u>2,552</u>	<u>2,736</u>

Establishment costs

Costs of \$920 were incurred as part of the setup of the Company in 2003. These are being amortised over 5 years.

Borrowing costs

Costs of \$2,465 were incurred on the setup of finance leases. These are being amortised over 5 years.

Note 10 : Current liabilities - Trade and other payables

	2007	2006
	\$	\$
Trade payables	284,998	149,089
Other payables	96,465	59,741
	<u>381,463</u>	<u>208,830</u>

Note 11 : Current liabilities - Borrowings

	2007	2006
	\$	\$
Secured		
Lease liabilities (note 19)	17,450	15,551
Other loans	127,738	117,793
Total secured current borrowings	<u>145,188</u>	<u>133,344</u>
Total current borrowings	<u>145,188</u>	<u>133,344</u>

Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 11 : Current liabilities - Borrowings (continued)

(a) Other loans

These are chattel mortgages secured over specific assets, to be repaid within five years (refer note 13 - non-current).

(b) Interest rate exposure

All the above secured borrowings are at fixed rates and therefore the Company is exposed to fair value interest-rate risk through changes in market interest rates.

(c) Fair value disclosures

The fair value of borrowings for the Company are consistent with their carrying values above.

(d) Security

Details of the security relating to each of the secured liabilities are set out in note 13.

Note 12 : Current liabilities - Provisions

	2007 \$	2006 \$
Employee benefits - annual leave	<u>61,259</u>	<u>37,958</u>
	<u>61,259</u>	<u>37,958</u>

Note 13 : Non-current liabilities - Borrowings

	2007 \$	2006 \$
Secured		
Lease liabilities (note 19)	43,864	61,313
Other loans	<u>400,237</u>	<u>527,974</u>
Total secured non-current borrowings	<u>444,101</u>	<u>589,287</u>
Total non-current borrowings	<u>444,101</u>	<u>589,287</u>

(a) Assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. Other loans are secured by fixed charges over plant and equipment and motor vehicles.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

Fixed charges

Plant and equipment	1,405,749	1,291,801
Motor vehicles	<u>67,241</u>	<u>82,758</u>
	<u>1,472,990</u>	<u>1,374,559</u>
<i>Finance lease</i>		
Motor vehicles	<u>57,396</u>	<u>68,928</u>
Total assets pledged as security	<u>1,530,386</u>	<u>1,443,487</u>

Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 13 : Non-current liabilities - Borrowings (continued)**(b) Interest rate risk exposures**

2007	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
Leases	-	30,774	58,207	15,436	39,839	-	-	-	144,256
Other loans	-	114,414	124,183	134,786	71,650	-	-	-	445,033
	-	145,188	182,390	150,222	111,489	-	-	-	589,289
Weighted average interest rate	-	8.07%	7.99%	8.14%	7.96%	-	-	-	

2006	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
Leases	-	15,551	17,450	43,863	-	-	-	-	76,864
Other loans	-	117,793	127,738	138,526	150,222	111,488	-	-	645,767
	-	133,344	145,188	182,389	150,222	111,488	-	-	722,631
Weighted average interest rate	-	8.06%	8.06%	7.98%	8.13%	7.92%	-	-	

Note 14 : Contributed equity

	2007 Shares	2006 Shares	2007 \$	2006 \$
(a) Share Capital				
Ordinary shares				
Fully paid	44,570,458	1,623,684	10,654,202	3
	44,570,458	1,623,684	10,654,202	3
0% non-redeemable participating preference shares fully paid	-	43,679,345	-	5,406,497
	44,570,458	45,303,029	10,654,202	5,406,500

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Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 14 : Contributed equity (continued)

	2007 Shares	2006 Shares	2007 \$	2006 \$
(b) Movement in contributed equity:				
1 July (opening balance)	45,303,029	36,111,911	5,406,500	3,695,775
<i>Issues of shares during the year</i>				
Preference shares issued 28/10/05, 16c		3,018,750		483,000
Preference shares issued 19/05/06, 20c		4,629,333		925,867
Preference shares issued 2/06/06, 20c		1,543,035		308,607
Preference shares issued 7/7/06, 20c	1,276,368		255,274	
Preference shares issued 8/8/06, 20c	400,000		80,000	
Conversion of preference shares to ordinary shares	-		-	
Bonus issue 1 for 10	4,697,942		-	
Consolidation issue 1 for 2	(25,838,663)		-	
Listing on Australian Stock Exchange Issued 08/12/06				
IPO Ordinary shares issued, 40c	10,000,000		4,000,000	
Converting note, 40c	1,250,000		500,000	
Payment of directors options exercise price	-		149	
Directors options issued and converted,	7,481,782		505,058	
Directors options converted and transferred from share-based payments option resen	-		399,557	
Capital raising costs	-		(492,336)	(6,749)
30 June (closing balance)	44,570,458	45,303,029	10,654,202	5,406,500

At 30 June 2007 there were 44,570,458 ordinary shares on issue.

Ordinary shares

Ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Note 15 : Reserves and accumulated losses

	2007 \$	2006 \$
(a) Share options reserve		
Movements in share options reserve were as follows:		
Balance 1 July	399,557	91,569
Transfer to contributed equity (options exercised)	(399,557)	-
Options expensed (Draught Program)	1,338	-
Options expensed (KMP Remuneration)	149,596	307,988
Balance 30 June	150,934	399,557

The share options reserve is used to recognise the fair value of options issued but not exercised.

Notes to the Preliminary Final Report

For the year ended 30 June 2007 – Gage Roads Brewing Co Limited

Note 15 : Reserves and accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance 1 July	(3,364,300)	(1,387,923)
Net loss for the year	<u>(3,071,324)</u>	<u>(1,976,377)</u>
Balance 30 June	<u>(6,435,624)</u>	<u>(3,364,300)</u>

Note 16 : Reconciliation of profit after income tax to net cash inflow from operating activities

	2007	2006
	\$	\$
Loss for the year	(3,071,324)	(1,976,377)
Depreciation and amortisation	118,578	107,599
Share option expense	655,991	307,988
Changes in operating assets and liabilities		
Increase in trade debtors	(92,176)	(101,852)
(Increase) decrease in other debtors	(21,571)	108,623
Increase in inventories	(47,859)	(132,567)
Increase (decrease) in trade creditors	135,909	(33,669)
Increase in other operating liabilities	36,724	10,543
Increase (decrease) in other provisions	23,301	(1,040)
Net cash outflow from operating activities	<u>(2,262,428)</u>	<u>(1,710,752)</u>

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Compliance statement

1. This report, and the accounts upon which this report is based, have been prepared in accordance with AASB Standards.
2. This report, and the accounts upon which the report is based, use the same accounting policies.
3. This report gives a true and fair view of the matters disclosed.
4. This report is based upon accounts to which one of the following applies:

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have *not* yet been audited or reviewed.

5. The entity has a formally constituted audit committee.



Signed:

Company Secretary

Date: 1 August 2007

Name:

John Hoedemaker

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