

# Appendix 4D Half-Year Report

**Gage Roads Brewing Co Limited**  
**ABN 22 103 014 320**

**For the Half-Year ended 31 December 2007**

## Results for Announcement to the Market

Revenue from ordinary activities	down	7.3%	to	1,127,462
Loss from ordinary activities after tax attributable to members	up	21.9%	to	(2,005,696)
Net loss attributable to members	up	21.9%	to	(2,005,696)

## Dividends (distributions)

There were no dividends declared for the period.

<b>Net tangible assets per ordinary share</b>	<b>31 December</b>	<b>31 December</b>
	<b>2007</b>	<b>2006</b>
	\$	\$
	<b>0.07</b>	<b>0.13</b>

## Details of controlled entities acquired or disposed of

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

## Details of aggregate share of profits (losses) of associates and joint venture entities

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

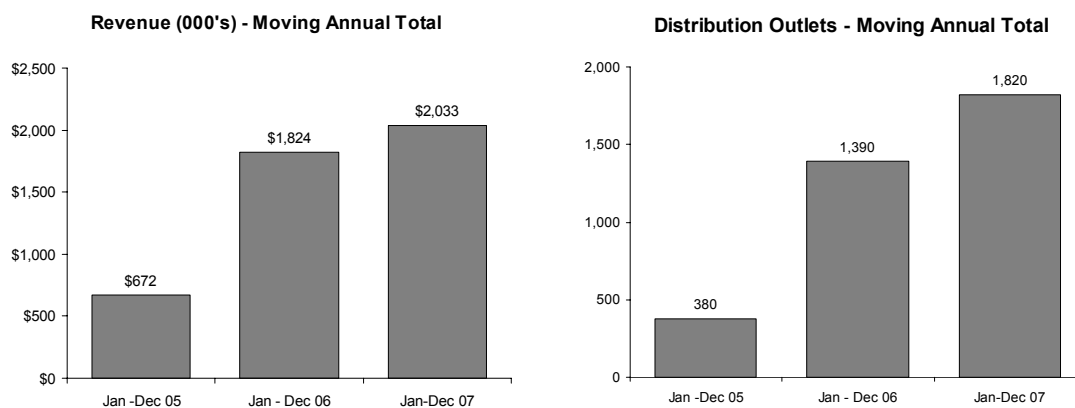
## Commentary on the results for the half-year ended 31 December 2007

### Review of Operations

The first half of the current financial year saw the emergence of a number of challenges which required fundamental changes to the operations of the Company. These included improvements to the taste profile of the Premium Lager, a new marketing campaign that appeals more to our targeted consumer demographic, and development of a larger range of new brands.

In addition, a transition to a new leadership team at both management and board levels was achieved. The new directors and I have the experience and commitment to achieve profitability which is the key priority of the Company.

Many of these changes were brought about in recognition of the slowing growth of distribution and revenue which, based on consumer feedback, was largely due to the Pure Malt Lager taste profile, a limited product range targeted at the same consumer demographic and the sluggish impact of the previous marketing and sales strategies. The sales result for the half year ended 31 December 2007, \$1.13 million, is a decrease of 7% in comparison with corresponding half-year period, 2006: \$1.22 million. However, results of the past twelve months on a moving annual total show a positive revenue growth of 11% and distribution growth of 31% over the previous twelve month period.



Greater investment in marketing support, brand building and new product development resulted in a net loss after tax of \$2.01 million for the half-year. The result is in line with the Board's expenditure expectations, which are consistent with the long term strategy of building a portfolio of premium Australian beverage brands.

Since the launch of the new Premium Lager and the "Take a Different Road – Gage Roads" marketing campaign in October 2007, sales of Premium Lager have tracked strongly upwards. Feedback on the new flavour profile of the Premium Lager has been positive and robust, and has been reflected in sales. The new marketing campaign is designed to run for 3-5 years to ensure maximum cost effectiveness and sales impact. It has been well received by consumers, trade and the media.

In October Gage Road's Managing Director, Peter Nolin, and the Board's Chairman, Michael Perrott, resigned from the Company. This presented the opportunity for three new and highly experienced non-executive Directors to be appointed to the Board. These include Robert Gould and Brett Fraser as non-executive Directors and Ian Olson as the new non-executive Chairman. It also acted as a catalyst for my appointment to the position of CEO. This exciting, fresh team is working with one goal in mind, to get the business profitable sooner.

In December Gage Roads successfully completed a placement of 6.6 million shares at an issue price of 13 cents per share to raise \$856,000 from sophisticated investors. Monies raised in the placement will be used to fund capital improvements including the purchase of a pressure sensitive labelling machine, the commissioning of a larger boiler and increased hot liquor capacity, with the balance being applied to expanding the marketing program in the Eastern States, new product development and general working capital purposes.

The new flexible labelling machine will improve Gage Roads' ability to diversify its product portfolio and grow its contract brewing business. Hence utilising its current capacity potential and bringing profitability forward. Currently Gage Roads contract brews five other brands for two other breweries.

## **Path to Profit - Future plans and prospects**

After twelve years experience working for Coca-Cola Amatil and looking after their lucrative Hotel, Café & Restaurant channel I am excited by the potential that Gage Roads has in terms of capacity, the passion and capability of its employees and the fast growing segment within which it is placed.

Gage Roads has established its products in the marketplace and has a determined, credible, and energetic team of people. With the right direction and leadership I can see no reason prohibiting the business from growing rapidly.

Since taking on the role of CEO on the 30<sup>th</sup> of October 2007 we have been able to put plans in place that will bring profitability forward. The key to this is to drive not only volume per outlet but also the total number of outlets to reach a total volume that utilises more of the current installed capacity.

Accelerated new product development, expected to more than double the Company's core range of products over the next 24 months, targeting different consumers and the improvement of the sales execution of both current and potential customers will drive distribution growth and growth of volume per outlet.

While the distribution partnership with the Hardy Wine Company continues to develop, areas of opportunity have been identified in terms of exclusive representation especially on the east coast and at a national chain level. Gage Roads has employed Activation Managers in New South Wales, Queensland and is recruiting in Victoria to assist in improving the sales execution in existing outlets, to drive rapid expansion into new outlets and to communicate at all levels the unique selling propositions of our range of products.

The business is committed to and is accountable to a new strategic business plan focused on achieving profitability within 24 months, a charted path to profit. The plan encompasses 6 transparent and demonstrable steps which I expect Gage Roads will achieve by December 2009:

1. Increase volume to 3 million litres.
2. Increase volume per outlet.
3. Increase the outlet base.
4. Double the core range of premium beverage brands through accelerated new product development.
5. Support the Hardy Wine Company and improve our management of both current and potential customers by employing an expanded sales force including Key Account Managers and Activation Managers in New South Wales, Queensland and Victoria.
6. Continue to brew award winning beer

The Company will report on the achievements of these steps on a quarterly basis.

## **Capital Requirements**

The Company will require sufficient working capital and the financial flexibility to implement the new strategic business plan which has the principal objective of achieving profitability within the next 24 months.

It is the intention of the Company to undertake a pro-rata non-renounceable entitlement issue to Shareholders to raise funds of up to circa \$4.1 million in March 08.

The funds raised are expected to be applied as follows:

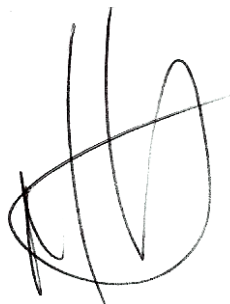
<b>Item of expenditure</b>	<b>\$ million</b>
East coast activation team	1.5
Marketing expenditure	1.0
Capital expenditure	0.5
Additional working capital	0.9
Costs of offer	0.2
<b>Total application of funds</b>	<b>4.1</b>

The Company is currently finalising the details of the offer and a letter outlining the offer and actions required by Shareholders to take up their entitlements under the offer will be dispatched to Shareholders shortly.

Please refer to the attached Financial Report for the half-year ended 31 December 2007 for further information.

I look forward to helping further the objectives of the Company and meeting you at our next AGM.

Yours faithfully,



Nick Hayler  
CEO

29<sup>th</sup> day of February 2008.

### 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 auditors' review report is attached.
6. The entity has a formally constituted audit committee.

Signed:



Company Secretary

Date: 29 February 2008

Name:

John Hoedemaker (Company Secretary)

---

**GAGE ROADS BREWING CO LIMITED  
FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**ACN 103 014 320**

---

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2007, and any public announcements made by Gage Roads Brewing Company Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Gage Roads Brewing Co Ltd**  
**Financial Report**  
**For the half-year ended 31 December 2007**

---

## **Corporate Directory**

### **Directors**

Ian Olson (Chairman)  
Brett Fraser  
Robert Gould  
John Hoedemaker  
Willem Hoedemaker  
Paul McKenzie

### **Chief Executive Officer**

Nick Hayler

### **Company Secretary**

John Hoedemaker

### **Website**

[www.gageroads.com.au](http://www.gageroads.com.au)

### **Stock Exchange**

ASX Limited  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

ASX Code: GRB

### **Registered Office**

14 Absolon Street  
PALMYRA WA 6157  
Telephone: (08) 9331 2300  
Facsimile: (08) 9331 2400

### **Auditor**

BDO Kendalls Audit &  
Assurance (WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008

### **Legal Adviser**

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### **Share Register**

Computershare Investor Services Pty Ltd  
GPO Box 2975  
MELBOURNE VIC 3001

Shareholder Enquiries: 1300 798 285

**Gage Roads Brewing Co Ltd**  
**Financial Report**  
**For the half-year ended 31 December 2007**

---

**Contents**

Review of Operations	4
Directors' Report	7
Auditor's Independence Declaration	8
Directors' Declaration	9
Income Statement	10
Balance Sheet	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Independent Auditor's Report	17

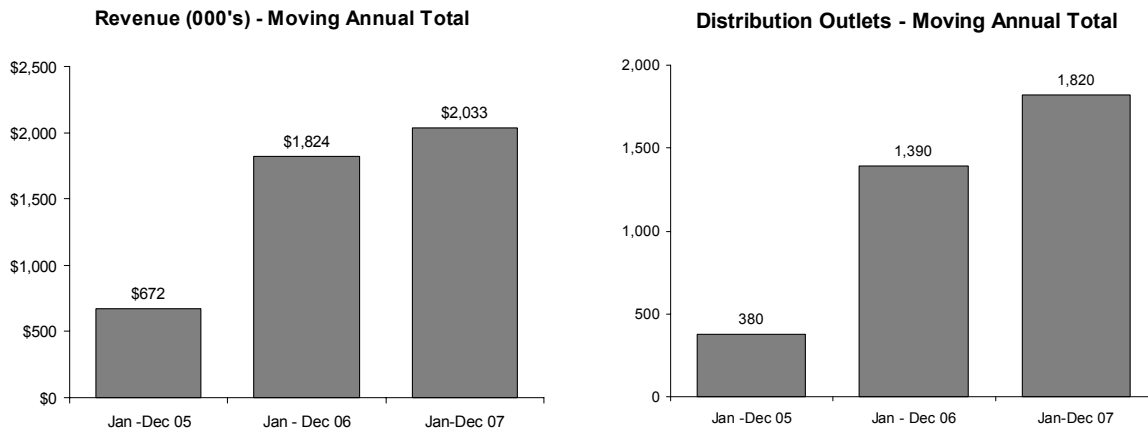
**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the half-year ended 31 December 2007**

---

The first half of the current financial year saw the emergence of a number of challenges which required fundamental changes to the operations of the Company. These included improvements to the taste profile of the Premium Lager, a new marketing campaign that appeals more to our targeted consumer demographic, and development of a larger range of new brands.

In addition, a transition to a new leadership team at both management and board levels was achieved. The new directors and I have the experience and commitment to achieve profitability which is the key priority of the Company.

Many of these changes were brought about in recognition of the slowing growth of distribution and revenue which, based on consumer feedback, was largely due to the Pure Malt Lager taste profile, a limited product range targeted at the same consumer demographic and the sluggish impact of the previous marketing and sales strategies. The sales result for the half year ended 31 December 2007, \$1.13 million, is a decrease of 7% in comparison with corresponding half-year period, 2006: \$1.22 million. However, results of the past twelve months on a moving annual total show a positive revenue growth of 11% and distribution growth of 31% over the previous twelve month period.



Greater investment in marketing support, brand building and new product development resulted in a net loss after tax of \$2.01 million for the half-year. The result is in line with the Board's expenditure expectations, which are consistent with the long term strategy of building a portfolio of premium Australian beverage brands.

Since the launch of the new Premium Lager and the "Take a Different Road – Gage Roads" marketing campaign in October 2007, sales of Premium Lager have tracked strongly upwards. Feedback on the new flavour profile of the Premium Lager has been positive and robust, and has been reflected in sales. The new marketing campaign is designed to run for 3-5 years to ensure maximum cost effectiveness and sales impact. It has been well received by consumers, trade and the media.

In October Gage Road's Managing Director, Peter Nolin, and the Board's Chairman, Michael Perrott, resigned from the Company. This presented the opportunity for three new and highly experienced non-executive Directors to be appointed to the Board. These include Robert Gould and Brett Fraser as non-executive Directors and Ian Olson as the new non-executive Chairman. It also acted as a catalyst for my appointment to the position of CEO. This exciting, fresh team is working with one goal in mind, to get the business profitable sooner.



**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the half-year ended 31 December 2007**

---

In December Gage Roads successfully completed a placement of 6.6 million shares at an issue price of 13 cents per share to raise \$856,000 from sophisticated investors. Monies raised in the placement will be used to fund capital improvements including the purchase of a pressure sensitive labelling machine, the commissioning of a larger boiler and increased hot liquor capacity, with the balance being applied to expanding the marketing program in the Eastern States, new product development and general working capital purposes.

The new flexible labelling machine will improve Gage Roads' ability to diversify its product portfolio and grow its contract brewing business. Hence utilising its current capacity potential and bringing profitability forward. Currently Gage Roads contract brews five other brands for two other breweries.

**Path to Profit - Future plans and prospects**

After twelve years experience working for Coca-Cola Amatil and looking after their lucrative Hotel, Café & Restaurant channel I am excited by the potential that Gage Roads has in terms of capacity, the passion and capability of its employees and the fast growing segment within which it is placed.

Gage Roads has established its products in the marketplace and has a determined, credible, and energetic team of people. With the right direction and leadership I can see no reason prohibiting the business from growing rapidly.

Since taking on the role of CEO on the 30<sup>th</sup> of October 2007 we have been able to put plans in place that will bring profitability forward. The key to this is to drive not only volume per outlet but also the total number of outlets to reach a total volume that utilises more of the current installed capacity.

Accelerated new product development, expected to more than double the company's core range of products over the next 24 months, targeting different consumers and the improvement of the sales execution of both current and potential customers will drive distribution growth and growth of volume per outlet.

While the distribution partnership with the Hardy Wine Company continues to develop, areas of opportunity have been identified in terms of exclusive representation especially on the east coast and at a national chain level. Gage Roads has employed Activation Managers in New South Wales, Queensland and is recruiting in Victoria to assist in improving the sales execution in existing outlets, to drive rapid expansion into new outlets and to communicate at all levels the unique selling propositions of our range of products.

The business is committed to and is accountable to a new strategic business plan focused on achieving profitability within 24 months, a chartered path to profit. The plan encompasses 6 transparent and demonstrable steps which I expect Gage Roads will achieve by December 2009:

1. Increase volume to 3 million litres.
2. Increase volume per outlet.
3. Increase the outlet base.
4. Double the core range of premium beverage brands through accelerated new product development.
5. Support the Hardy Wine Company and improve our management of both current and potential customers by employing an expanded sales force including Key Account Managers and Activation Managers in New South Wales, Queensland and Victoria.
6. Continue to brew award winning beer

The Company will report on the achievements of these steps on a quarterly basis.

**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the half-year ended 31 December 2007**

---

**Capital Requirements**

The Company will require sufficient working capital and the financial flexibility to implement the new strategic business plan which has the principal objective of achieving profitability within the next 24 months.

It is the intention of the Company to undertake a pro-rata non-renounceable entitlement issue to Shareholders to raise funds of up to circa \$4.1 million in March 08.

The funds raised are expected to be applied as follows:

<b>Item of expenditure</b>	<b>\$ million</b>
East coast activation team	1.5
Marketing expenditure	1.0
Capital expenditure	0.5
Additional working capital	0.9
Costs of offer	0.2
<b>Total application of funds</b>	<b>4.1</b>

The Company is currently finalising the details of the offer and a letter outlining the offer and actions required by Shareholders to take up their entitlements under the offer will be dispatched to Shareholders shortly.

I look forward to helping further the objectives of the Company and meeting you at our next AGM.

Yours faithfully,



Nick Hayler  
CEO

29<sup>th</sup> day of February 2008.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the half-year ended 31 December 2007**

---

Your directors present their report on Gage Roads Brewing Co Ltd for the half-year ended 31 December 2007.

**Directors**

The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report unless otherwise stated:

Ian Olson (Chairman appointed 12 Nov 2007)  
Brett Fraser (appointed 12 Nov 2007)  
Robert Gould (appointed 12 Nov 2007)  
John Hoedemaker  
Willem Hoedemaker  
Paul McKenzie  
Peter Nolin (resigned 30 October 2007)  
Michael Perrott (resigned 24 October 2007)

**Principal activities**

During the half-year the principal continuing activities of the Company was the brewing, packaging, marketing and selling of craft brewed beer.

No significant change in the nature of these activities occurred during the half-year.

**Dividends**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

**Review and results of operations**

The loss of the Company for the half-year ended 31 December 2007 after providing for income tax amounted to (\$2,005,696) (2006: (\$1,645,000)).

A review of the Company's operations and its financial position, business strategies and prospects is located at page 4 of this financial report.

**Auditor's independence declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.



---

Ian Olson  
Chairman

Dated at Palmyra on the 29th day of February 2008.



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008  
PO Box 700  
WEST PERTH WA 6872  
Phone 61 8 9380 8400  
Fax 61 8 9380 8499  
aa.perth@bdo.com.au  
www.bdo.com.au

ABN 79 112 284 787

29 February 2008

The Directors  
Gage Roads Brewing Co. Limited  
PO Box 2024  
PALMYRA WA 6957

Dear Sirs

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF  
GAGE ROADS BREWING CO. LTD**

As lead auditor of Gage Roads Brewing Co. Ltd for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

**Glyn O'Brien**  
Director

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Perth, Western Australia

**Gage Roads Brewing Co Ltd**  
**Directors' Declaration**  
**For the half-year ended 31 December 2007**

---

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



---

Ian Olson  
Chairman

Dated at Palmyra on the 29th day of February 2008.

**Gage Roads Brewing Co Ltd**  
**Income Statement**  
**For the half-year ended 31 December 2007**

	Notes	31 December 2007 \$	31 December 2006 \$
<b>Revenue from continuing operations</b>		<b>1,127,462</b>	1,216,106
Raw materials, excise, consumables & delivery		<b>(701,873)</b>	(750,128)
Operating expenses		<b>(257,342)</b>	(243,808)
Employee benefits expense		<b>(973,671)</b>	(1,076,985)
Depreciation and amortisation expense		<b>(68,688)</b>	(54,881)
Sales and marketing		<b>(750,323)</b>	(471,691)
Administration costs		<b>(296,305)</b>	(179,710)
Occupancy costs		<b>(62,565)</b>	(55,659)
Finance costs		<b>(22,391)</b>	(28,244)
<b>Loss before income tax</b>		<b>(2,005,696)</b>	(1,645,000)
Income tax expense		-	-
<b>Loss for the half-year</b>	<b>2</b>	<b>(2,005,696)</b>	(1,645,000)
<b>Loss attributable to members of Gage Roads Brewing Co Ltd</b>		<b>(2,005,696)</b>	(1,645,000)
		<b>Cents</b>	Cents
<b>Loss per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share		<b>(4.45)</b>	(3.70)
Diluted earnings per share		<b>(4.45)</b>	(3.40)

*The above Income Statement should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Balance Sheet**  
**As at 31 December 2007**

	Notes	31 December 2007 \$	30 June 2007 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,960,911	2,475,775
Trade and other receivables		263,479	325,785
Inventories		368,184	274,584
<b>Total current assets</b>		<b>2,592,574</b>	<b>3,076,144</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,310,899	2,319,057
Intangible assets		3,769	3,769
Other		67,839	2,552
<b>Total non-current assets</b>		<b>2,382,507</b>	<b>2,325,378</b>
<b>Total assets</b>		<b>4,975,081</b>	<b>5,401,522</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,067,298	381,462
Borrowings		161,432	145,188
Provisions		53,155	61,259
<b>Total current liabilities</b>		<b>1,281,885</b>	<b>587,909</b>
<b>Non-current liabilities</b>			
Borrowings		356,796	444,101
<b>Total non-current liabilities</b>		<b>356,796</b>	<b>444,101</b>
<b>Total liabilities</b>		<b>1,638,681</b>	<b>1,032,010</b>
<b>Net assets</b>		<b>3,336,400</b>	<b>4,369,512</b>
<b>EQUITY</b>			
Contributed equity	3	11,516,972	10,654,202
Share options reserve		260,749	150,934
Accumulated losses		(8,441,321)	(6,435,624)
<b>Total equity</b>		<b>3,336,400</b>	<b>4,369,512</b>

*The above Balance Sheet should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Statement of Changes in Equity**  
**For the half-year ended 31 December 2007**

	Notes	31 December 2007 \$	31 December 2006 \$
<b>Total equity at the beginning of the half-year</b>		<u>4,369,512</u>	<u>2,441,757</u>
<b>Net income recognised directly in equity</b>			
<b>Loss for the half-year</b>		<u>(2,005,696)</u>	(1,645,000)
<b>Total recognised income and expense for the half-year attributable to the members of Gage Roads Brewing Co Ltd</b>		<u>(2,005,696)</u>	<u>(1,645,000)</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	3	845,970	5,254,861
Shares issued to employees	3	16,800	-
Director share options, net of expired options write-back		67,447	(380,138)
Employee and other share options		<u>42,367</u>	-
		<u>972,584</u>	<u>4,874,723</u>
<b>Total equity at the end of the half-year</b>		<u>3,336,400</u>	<u>5,671,480</u>
Total recognised income and expense for the half-year is attributable to:			
Members of Gage Roads Brewing Co Ltd		<u>(2,005,696)</u>	<u>(1,645,000)</u>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*



**Gage Roads Brewing Co Ltd**  
**Cash Flow Statement**  
**For the half-year ended 31 December 2007**

	<b>31 December 2007</b>	31 December 2006
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	1,281,972	908,327
Payments to suppliers and employees (inclusive of GST)	<u>(2,484,621)</u>	<u>(2,053,386)</u>
	(1,202,648)	(1,145,059)
Interest received	61,083	35,135
Interest paid	<u>(22,391)</u>	<u>(28,244)</u>
<b>Net cash outflow from operating activities</b>	<u>(1,163,956)</u>	<u>(1,138,168)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<u>(125,817)</u>	<u>(432,913)</u>
<b>Net cash outflow from investing activities</b>	<u>(125,817)</u>	<u>(432,913)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	855,974	4,835,424
Share issue transaction costs	(10,005)	(485,177)
Repayment of borrowings	<u>(71,060)</u>	<u>(65,242)</u>
<b>Net cash inflow from financing activities</b>	<u>774,909</u>	<u>4,285,005</u>
<b>Net increase in cash and cash equivalents</b>	<b>(514,864)</b>	2,713,924
Cash and cash equivalents at the beginning of the half-year	<u>2,475,775</u>	<u>1,272,314</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u>1,960,911</u>	<u>3,986,238</u>

*The above Cash Flow Statement should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Notes to the accounts**  
**For the half-year ended 31 December 2007**

---

**NOTE 1: Summary of significant accounting policies**

---

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Gage Roads Brewing Co Ltd during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**(b) Going concern**

The Company has adopted a new strategic plan which addresses the fundamental requirement of the business to increase both distribution outlets and volume per outlet thereby increasing total revenue in order to achieve profitability. The principle objective of the strategic plan is to achieve profitability within 24 months.

To ensure the Company has sufficient working capital and the financial flexibility required to implement the strategic plan the Company will require additional funds.

Should the Company not continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

It is the intention of the Company to undertake a pro-rata non-renounceable entitlement issue to Shareholders to raise funds of up to circa \$4.1 million in March 08.

The funds raised are expected to be applied as follows:

<b>Item of expenditure</b>	<b>\$ million</b>
East coast activation team	1.5
Marketing expenditure	1.0
Capital expenditure	0.5
Additional working capital	0.9
Costs of offer	0.2
<b>Total application of funds</b>	<b>4.1</b>

The Company is currently finalising the details of the offer and a letter outlining the offer and actions required by shareholders to take up their entitlements under the offer will be dispatched to shareholders shortly.

Please refer to the Review of Operations for a commentary of the strategic plan and capital raising intentions which can be found at Page 4 of this financial report and any publicly available information in relation to the rights issue which will be notified to the ASX in due course.

**Gage Roads Brewing Co Ltd**  
**Notes to the Accounts**  
**For the half-year ended 31 December 2007**

**Note 2 : Profit for the half-year**

	<b>31 December</b>	<b>31 December</b>
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Loss for the half-year includes the following items that are unusual because of their nature, size or incidence:		
<b>Expenses</b>		
Employee shares expensed	16,800	-
Employee options expensed	39,946	-
Draught venue options expensed	2,422	-
Directors' options expensed, net of expired options write-back	67,447	524,477
	<b>126,615</b>	<b>524,477</b>

**Note 3 : Equity securities issued**

	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>Shares</b>	Shares	<b>\$</b>	\$
<b>31 December (opening balance)</b>	<b>44,570,458</b>	45,303,029	<b>10,654,202</b>	5,406,500
<i>Issues of shares during the half-year</i>				
Preference shares issued 07/07/06, at 20c		1,276,368		255,274
Preference shares issued 08/08/06, at 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)		-
<b>Listing on Australian Stock Exchange Issued 08/12/06</b>				
IPO Ordinary shares issued, at 40c		10,000,000		4,000,000
Converting note, at 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 reserve		-		399,557
Ordinary shares issued 26/07/07 to employees for nil consideration	<b>70,000</b>		<b>16,800</b>	
Ordinary shares issued 21/12/07, at 13c	<b>6,584,419</b>		<b>855,974</b>	
Capital raising costs	-	-	<b>(10,005)</b>	(492,336)
Movement in contributed equity	<b>6,654,419</b>	(732,571)	<b>862,769</b>	5,247,702
<b>Closing balance</b>	<b>51,224,877</b>	44,570,458	<b>11,516,972</b>	10,654,202

At 31 December 2007 there were 51,224,877 ordinary shares on issue.

**Gage Roads Brewing Co Ltd**  
**Notes to the Accounts**  
**For the half-year ended 31 December 2007**

---

**Note 4 : Segment reporting**

---

The Company operates in one business segment, being the manufacture and sale of beer, and in one geographical segment, being Australia.

---

**Note 5 : Contingencies**

---

**(a) Contingent liabilities and assets**

There are no material contingent liabilities or contingent assets of the Company at the balance date.

---

**Note 6 : Events occurring after the balance sheet date**

---

No matter or circumstance has arisen since 31 December 2007, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GAGE ROADS BREWING CO. LTD**

We have reviewed the accompanying half-year financial report of Gage Roads Brewing Co. Ltd, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gage Roads Brewing Co Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gage Roads Brewing Co. Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to the interim financial report which states that Gage Roads Brewing Co. Ltd incurred a net loss of \$2,005,696 during the half year ended 31 December 2007. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty as to the company's ability to continue as a going concern.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls  
Glyn O'Brien

**Glyn O'Brien**  
Director

Signed at Perth this 29<sup>th</sup> day of February 2008.