Appendix 4E
Preliminary Final Report

Gage Roads Brewing Co Limited
ABN 22 103 014 320

For the financial year ended 30 June 2008

Results for announcement to the market

Revenue from ordinary activities	up	2.0%	to	2,163,769
Loss from ordinary activities after tax attributable to members	up	18.2%	to	(3,628,868)
Net loss attributable to members	up	18.2%	to	(3,628,868)

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 2008 $**	30 June 2007 $
	0.04	0.09

Statement of retained earnings (accumulated loss)	**30 June 2008 $**	30 June 2007 $
Balance 1 July	**(6,435,624)**	(3,364,300)
Net loss for the year	**(3,628,868)**	(3,071,324)
Balance 30 June	**(10,064,492)**	(6,435,624)

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.

Reporting Periods

The current reporting period is the financial year ended 30 June 2008. The previous corresponding period is the year ended 30 June 2007.

Financial statements and commentary

The statement of financial position, balance sheet, cashflow statement, and associated notes are contained in the attached Annual Report for the year ended 30 June 2008. Detailed commentary on the results for the year ended 30 June 2008 is provided in the Review of Operations and Directors' Report sections of the Annual Report.

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.
6. A copy of the Audit Report is included in the attached Annual Report 2008.

Signed: Date: 26 August 2008

Company Secretary

Name: John Hoedemaker

GAGE ROADS BREWING CO LIMITED
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

ABN 22 103 014 320

Corporate Directory

Directors
Ian Olson (Chairman)
Brett Fraser
Robert Gould
Bill Hoedemaker
John Hoedemaker

Chief Executive Officer
Nick Hayler

Company Secretary
John Hoedemaker

Principal Place of Business & Registered Office
14 Absolon Street
PALMYRA WA 6157
Tel: (08) 9331 2300
Fax: (08) 9331 2400
Web: www.gageroads.com.au

Postal Address
PO Box 2024
PALMYRA WA 6961

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

Stock Exchange Listing
ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: GRB

Share Registry
Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Shareholder Enquiries
Within Australia: 1300 798 285
Outside Australia: (03) 9415 4823

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Dear Shareholder

The past year has been a challenging one for your Company.

When I was asked to take on the role of Chairman of Gage Roads Brewing Co last November there had been a number of significant changes at a corporate level including a Board restructure, the appointment of a new CEO and the requirement to raise additional capital less than one year after the Company listed on the ASX.

At an operational level the business had undertaken a fundamental rebranding exercise, had relaunched an improved Gage Roads Premium Lager and planned a range of other new products. These initiatives were met with broad market approval and almost one year on we can look back and recognise how important they have been to the viability of the business.

The historical performance of the Company at both an operational and corporate level had, in my view, been unsatisfactory. This outcome has been reflected with a great deal of clarity in the performance of the Company's share price which, even in the context of broadly weaker capital markets, has been poor.

In December the restructured Board and Management team undertook a strategic review which resulted in a number of necessary changes to the operating model of the business, concluding with the successful negotiation of a new distribution agreement and cornerstone investment with VOK Beverages.

The upcoming launch of your Company's new low carbohydrate beer and cider products follows the successful launch of Wahoo Premium Ale. There is now much to look forward to with existing and new products through a new distribution channel.

Whilst we continue to face challenges, we are confident in overcoming them due to the incredible team that works hard for your Company on a daily basis. Your CEO, Nick Hayler has galvanised and led the Gage Roads team through a period of fundamental change and they are to be congratulated for their effort and commitment.

As a Board and in conjunction with the Management team at Gage Roads, we have a clearly defined path to profitability, with a focus on cost reduction and volume growth.

I would like to thank the former MD, Peter Nolin and Non-Executive Directors, Michael Perrott and Paul McKenzie for their contribution to Gage Roads, which in the case of Peter and Paul, dates back to the formation of the Company in 2003.

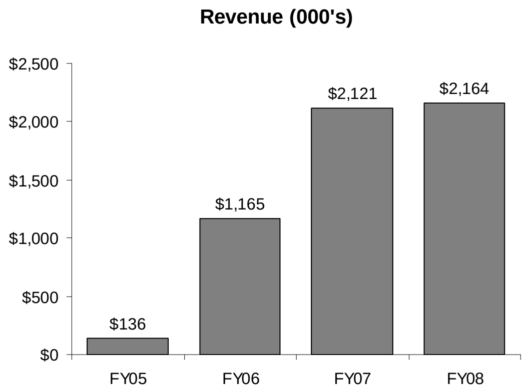
On behalf of your Board, I would like to thank both long-standing and new Shareholders for your continued support and commitment to the future of Gage Roads and its success.

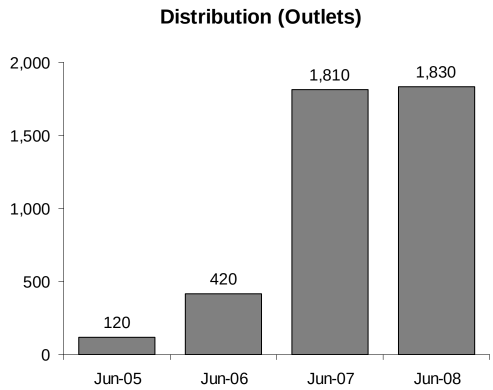
Ian Olson
Chairman

Review of Operations

2008 has been an important year for the Company with a new leadership team at both Management and Board levels adopting and executing a number of significant changes in the strategic direction and operations of the Company. These include a new strategic plan focused on achieving profitability by December 2009, a new marketing strategy, finding a solution to improve sales and distribution results, developing new beverages with broad taste appeal, raising capital and reducing our costs.

The sales result for the year ended 30 June 2008 was $2,163,769 (2007: $2,120,702). The limited growth in both sales and distribution highlight the challenges that faced the Company during 2008, including the slowing of revenue, a limited product range which targeted the same consumer demographic and the direction of previous marketing and sales strategies.





Since taking on the role of CEO on 30 October 2007, I have worked with the Board to develop and put plans in place which have addressed these challenges and bring forward profitability. The focus of the strategies is to drive not only volume per outlet but also the total number of outlets to reach overall volumes that utilise more of the current installed capacity. Accelerated new product development and targeting different consumers is the core strategy expected to drive volume per outlet, while a change in our distribution partner to VOK Beverages Pty Ltd ("VOK") is expected to impact positively on our total number of outlets.

VOK is a South Australian based private business that has excelled in driving distribution and sales for a number of now well-known brands including Bulleit Bourbon and Ruski Ready-to-Drink beverages ("RTD's"). VOK maintains a national sales team with presence in Victoria, NSW, Qld, SA, WA, NT and Tas. In the period since commencement of the distributorship, VOK has delivered the highest ever monthly sales into trade result in July 2008 and also achieved national ranging for Wahoo Premium Ale in a number of national chains.

In addition to the distribution agreement, VOK has also agreed to take a $2 million cornerstone investment in Gage Roads by way of a convertible note facility. The convertible note, which is subject to Shareholder approval at the forthcoming AGM, will provide $2 million in funding to Gage Roads over the next two years. The amount invested on a monthly basis is determined by sales volume and is a deferral of the margin VOK would have received on the sale of Gage Roads products for a period of two years and up to $2 million. The convertible note is interest free, unsecured and provides for the funds to be converted into ordinary shares on a quarterly basis at a 12.5% discount to the prevailing volume weighted average price ("VWAP") of Gage Roads shares.

The accelerated New Product Development strategy has seen Wahoo, the first of the new products, released in late April this year. The strategy seeks to develop and launch products that have a broader demographic appeal not only in taste but also branding. In developing these products, our team conducted a number of consumer taste trials to seek directional feedback for our world class brew team. I feel the combination of both consumer feedback and our brewers' palate has resulted in one of the tastiest beers to be brewed in Australia this year. The result is a beer that has already become our biggest seller.

Over the last 6 months both the Marketing and Brew teams have been working to produce a low carbohydrate beer to be launched in the coming quarter. Again the team has worked hard to ensure that the beer has a taste profile superior to other "low-carb" beers, while the marketing developed to support the brand has appeal to the specific segment of the market who are consuming low-carb beers. We have worked to ensure that the beer has a number of unique selling propositions to help with both the push into the trade and the pull through into the consumer's hands.

The third new product we have been working on this year is cider. In July 2008 Gage Roads and Ballydooly Cider Company executed a heads of agreement to form a joint venture ("JV") to produce premium-quality cider for the Australian market. Ballydooly is the largest independent cider manufacturer in New Zealand and brings to the JV expertise and a range of established premium cider recipes using Australian and New Zealand apples.

As we continue our path to profitability, investment in marketing, brand building and new product development remain essential to increasing sales momentum. This investment resulted in a net loss after tax of $3,628,868 for the financial year. While the result is extremely disappointing it is in line with the Board's expenditure expectations and we continue to work to reduce costs and improve efficiencies. The new distribution strategy, coupled with a review of all operational costs by the Executive team and Board, has enabled the identification of at least $700,000 in savings over original expenditure expectations for the forthcoming year. This financial rigour remains an ongoing focus.

In December 2007 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. Early in calendar 2008 the Board determined that an additional $4.1m in capital would be required. During the last quarter of fiscal 2008 the Company issued an Entitlement Issue Prospectus which offered shares on a 1 for 1 basis at 8 cents per share to raise up to $4.1 million. The Prospectus was successful in raising $1.5 million which, when combined with the convertible note agreement with VOK, provides Gage Roads with a total of $3.5 million out of the $4.1 million target anticipated in the prospectus. The Company is in discussion with a number of parties in relation to the placement of the remaining sum of $600,000.

Monies raised in this placement will be used to fund capital improvements to deliver production efficiencies and reduce the cost of production. The balance of the funds will be applied to expanding the marketing program nationally, new product development and working capital purposes.

Since the launch of the new Premium Lager and the new marketing campaign in October 2007 "Take a Different Road - Gage Roads" the sales decline of the Premium Lager has been reversed. This marketing campaign is expected to have a long lifecycle and result in cost savings for the business.

With VOK's support in distributing our expanding range of quality beverages, the passion and capability of our employees and focus on profitability, I am encouraged and excited about the outlook for our Company.

Nick Hayler
Chief Executive Officer

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the year ended 30 June 2008.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated.

Ian Olson	(Chairman, appointed 12 November 2007)
Brett Fraser	(appointed 12 November 2007)
Robert Gould	(appointed 12 November 2007)
Bill Hoedemaker	
John Hoedemaker	
Paul McKenzie	(resigned 14 May 2008)
Peter Nolin	(resigned 30 October 2007)
Michael Perrott	(resigned 24 October 2007)

Chief Executive Officer

Nick Hayler (appointed 30 October 2007)

Principal Activities

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

No significant change in the nature of these activities occurred during the 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 financial year after providing for income tax amounted to ($3,628,868) (2007: ($3,071,324).

A review of the Company's operations and its financial position, business strategies and prospects is located at page 5 of this report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

(a) **CEO Nick Hayler** - In October 2007 Nick Hayler was appointed as Chief Executive Officer of the Company and has been responsible for driving a new marketing direction, strategic planning, capital raising activities and the cultural development of the business. Under his leadership Gage Roads is committed to, and is accountable to, a new strategic plan focused on achieving profitability by December 2009, a charted path to profitability.

Nick holds a Bachelor of Business with a Marketing Major. Prior to joining Gage Roads Nick was employed by Coca Cola Amatil for 12 years working at both State and National levels, recently managing their enormous and profitable Hotel, Café and Restaurant Channel. Nick's extensive experience in strategic planning and management and his open communication style provide him with the unique skill sets required to lead Gage Roads both internally and in a public company environment.

(b) **VOK Beverages** - The Company entered into an exclusive national distribution agreement with new distribution partner, South Australia-based, VOK Beverages Pty Ltd ("VOK") commencing June 2008. In July 2008 the Company formally executed a binding, long-term distribution agreement and convertible note agreement. VOK has a strong reputation in the beverages industry and has already helped to boost sales of Gage Roads products nationally. Pursuant to the terms of the convertible note agreement VOK has also agreed to take a $2 million cornerstone investment in the Company. The convertible note which is subject to Shareholder approval, will provide up to $2 million in funding over the next two years. The convertible note is interest free, unsecured and provides for the funds to be converted into ordinary shares on a quarterly basis at a 12.5% discount to the prevailing volume weighted average price ("VWAP") of Gage Roads shares.

(c) **Capital Raising** - During the year the Company completed a number of capital raising activities including a placement to sophisticated investors raising $855,974 in December 2007 and a 1 for 1 Entitlements Issue Prospectus in March 2008 which raised $1,551,348. Further explanation of changes in contributed equity can be found in note 15 to the Financial Statements.

Matters subsequent to the end of the financial year
Significant changes in the state of affairs of the Company after 30 June 2008 were as follows:

(a) **Ballydooly Cider Company** - On 7 July 2008 the Company entered into a joint venture "JV" with New Zealand based Ballydooly Cider Company to produce premium-quality cider for the Australian market. The current Australian cider market is worth in excess of $111 million annually and is dominated by one product, which provides enormous potential for new brands. Ballydooly is the largest independent cider manufacturer in New Zealand and brings to the JV a range of established premium cider recipes using Australian and New Zealand apples.

No other matter or circumstance has arisen since 30 June 2008, 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.

Likely developments and expected results of operations
The Company will continue to brew, sell and market beer and cider and continue to expand its distribution domestically and internationally.

Information on Directors

Ian Olson - Chairman
(Non-Executive, appointed 12 November 2007)

Experience and expertise - An experienced Chartered Accountant, Ian Olson brings extensive knowledge in corporate advisory, audit and assurance to the Board. Until recently Ian was Managing Partner of PKF Chartered Accountants in Western Australia and is now owner and Executive Chairman of the King Group, a diversified surveying, drafting, mapping and GIS business.

Qualifications - CA, BCom, MAICD, AIMM.

Other current public directorships - Diploma Constructions Limited and RuralAus Investments Limited.

Former directorships in listed companies in last 3 years – None.

Special responsibilities - Chairman of the Board, member of the Audit and Remuneration Committees.

Interests (direct and indirect) in shares and options - 998,156 shares and Nil options in the Company.

Brett Fraser
(Non-Executive, appointed 12 November 2007)

Experience and expertise - Brett is a qualified accountant and has worked in the finance and securities industry for 25 years. For many years he was an analyst working in merchant banking with concentration on mining, designing financial models for equity raising or corporate transactions. He is a former owner and Director of media group Redwave Media Limited and has owned and operated businesses across wine, health, finance, media and mining.

Qualifications - FCPA, FFIN, BBus.

Other current public directorships - Chairman of Drake Resources Limited and Aura Energy Limited.

Former directorships in listed companies in last 3 years - Director Brainytoys Limited.

Special responsibilities - None.

Interests (direct and indirect) in shares and options - 1,164,667 shares and Nil options in the Company.

Robert Gould
(Non-Executive, appointed 12 November 2007)

Experience and expertise - Robert has held a number of roles in finance and the management and guidance of start up, early stage and fast growing companies. His experience includes international mergers and acquisition activity and management of a venture capital fund with $113m under management. Robert was a seed capital investor in Gage Roads and is currently a Director and Shareholder of Javelin Partners Pty Ltd.

Qualifications - FCA, FAICD.

Other current public directorships - None.

Former directorships in listed companies in last 3 years - Chairman of Western Kingfish Limited and Director of Transerv Limited.

Special responsibilities - Member of the Audit and Remuneration Committees.

Interests (direct and indirect) in shares and options - 6,093,662 shares and Nil options in the Company.

Bill Hoedemaker - Director of Operations and Brewmaster
(Executive, appointed 3 December 2002)

Experience and expertise - Bill is a founding Shareholder and Director of Gage Roads. He has been a professional Brewer for 9 years, of which 4 were as a member of the multi-award winning brewing team at the Sail & Anchor Pub Brewery and the last 5 years as Brewmaster for Gage Roads. Bill is responsible for brewing operations, capital infrastructure and oversees the brewing operations of the Company, including recipe formulation, quality control, product consistency and cost control. Bill has substantial experience in the resources industry and brings strengths in process efficiencies and problem solving as well as an in-depth knowledge of practical brewing.

Qualifications - BCom.

Other current public directorships - None.

Former public directorships in listed companies in last 3 years - None.

Special responsibilities - Director of Operations and Brewmaster.

Interest (direct and indirect) in shares and options - 394,669 ordinary shares. Bill is also a beneficiary of two discretionary trusts, The Leijenaar Trust and The Ottor Trust. Pieter Hoedemaker atf The Leijenaar Trust and The Ottor Trust holds 5,528,503 ordinary shares and 2,200,000 unlisted options.

John Hoedemaker – Chief Financial Officer and Company Secretary
(Executive, appointed 3 December 2002)

Experience and expertise - John is a founding Shareholder and Director of Gage Roads. He played a key role in developing and implementing the distribution and channel to market strategies of the Company. John is responsible for the financial, accounting, governance and administration aspects of the business. He provides experience in sales, distribution, finance, marketing and business administration. Prior to his involvement with Gage Roads, John was the General Manager and Chief Financial Officer of a successful building products manufacturing business, Architectural & Structural Adhesives (WA), which he managed from a start-up operation through to a trade sale to multi-national conglomerate.

Qualifications - BCom.

Other current public directorships - None.

Former public directorships in last 3 years - None.

Special responsibilities - Chief Financial Officer and Company Secretary.

Interest (direct and indirect) in shares and options - 394,669 ordinary shares. John is also a beneficiary of two discretionary trusts, The Leijenaar Trust and The Ottor Trust. Pieter Hoedemaker atf The Leijenaar Trust and The Ottor Trust holds 5,528,503 ordinary shares and 2,200,000 unlisted options.

Meetings of Directors
The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2008, and the number of meetings attended by each Director, were as follows:

	Full Meeting of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**
Ian Olson (Non-Executive)	5	5	1	1	n/a	n/a
Brett Fraser (Non-Executive)	5	4	n/a	n/a	n/a	n/a
Robert Gould (Non-Executive)	5	5	1	1	n/a	n/a
Bill Hoedemaker (Executive)	9	9	n/a	n/a	1	1*
John Hoedemaker (Executive)	9	9	2	2	1	1*
Paul McKenzie (Non-Executive)	8	7	2	2	1	1*
Peter Nolin (Executive)	2	2	1	1	n/a	n/a
Michael Perrott (Non-Executive)	2	2	1	1	n/a	n/a

A = number of meetings held during the time the Director held office or was a member of the committee during the year.
B = number of meetings attended.
n/a = not a member of the relevant committee.

* During the year, in the absence of other Non-Executive Directors, Paul McKenzie, John Hoedemaker and Bill Hoedemaker formed the Remuneration Committee, met once, and resolved to defer any remuneration matters to a future committee to be made up of Non-Executive Directors. On their appointment Ian Olson and Robert Gould joined Paul McKenzie as members of the Remuneration Committee.

Total shares under options

Unissued ordinary shares under option at the date of this report are as follows:

Date options granted	Term	Exercise price	Number under option
04-Dec-06	5 Years	$0.50	3,850,000
12-Jul-07	5 Years	$0.40	750,000
19-Dec-07	5 Years	$0.20	750,000
19-Dec-07	5 Years	$0.30	750,000
19-Dec-07	5 Years	$0.40	750,000
			6,850,000

No option holder has any voting or dividend rights or right under the options to participate in any other share issue of the Company other than a bonus issue.

Shares issued on the exercise of options

There were no shares issued on the exercise of options during the year ended 30 June 2008.

Options granted to Directors

No options over unissued ordinary shares were granted to Directors during the year ended 30 June 2008.

Options granted to Key Management Executives and other employees

Options over unissued ordinary shares granted to Key Management Executives and other employees of the Company during the year as part of their remuneration and in accordance with the Company's Incentive Option Scheme were as follows:

Date options granted	Term	Exercise price	Number under option
12-Jul-07	5 Years	$0.40	750,000
19-Dec-07	5 Years	$0.20	750,000
19-Dec-07	5 Years	$0.30	750,000
19-Dec-07	5 Years	$0.40	750,000
			3,000,000

The options granted to Key Management Executives and other employees are exercisable only while the holder remains in the service of the Company.

Details of the options granted to employees can be found at notes 16 and 17 to the Financial Statements and in the Remuneration Report section of this Directors' Report on pages 12 to 16.

Options cancelled, forfeited or lapsed

Agreements to issue 285,000 options in total were made with participating venues under the Draught Option Program. The program sought to overcome barriers to entry in the draught market and reward committed relationships by ensuring that hoteliers, whose efforts are instrumental in helping grow the Gage Roads brand, share in the benefits of that growth. During the year the Option Incentive Scheme was cancelled and the agreements to issue 285,000 options over unissued ordinary shares were terminated. Details of the options granted to participating venues which were cancelled can be found at notes 16 and 17 to the Financial Statements.

Shares issued to employees
All eligible employees of the Company (other than Directors) received a gift of 5,000 shares in recognition of their extraordinary contribution to date. The shares were issued on 26 July 2007 for nil consideration in accordance with a resolution of the Board. Ordinary shares that have been issued to employees of the Company as a gift were as follows:

Date shares issued	Number of shares issued
26-Jul-07	70,000

The value of the 70,000 shares at the date of issue was $16,800. Details of the shares issued to employees can be found at notes 15 and 17 to the Financial Statements.

Remuneration Report
Principles used to determine the nature and amount of remuneration (audited)
The Remuneration Committee is responsible for determining and reviewing remuneration packages of all Directors and Key Management Personnel ("KMP") on an annual basis. The Remuneration Committee currently consists of Non-Executive Directors Ian Olson and Robert Gould.

The committee's reward policy reflects its obligation to align Directors' and Executives' remuneration with Shareholders' interests and to retain appropriately qualified talent for the benefit of the Company. The main principles of the policy are:

(a) the reward considers comparative industry benchmarks and reflects the competitive market in which the Company operates; and
(b) individual reward should be linked to performance criteria if appropriate; and
(c) Executives should be rewarded for both financial and non-financial performance; and
(d) the committee shall have access to external professional advice if required to assist in determining appropriate remuneration.

Non-Executive Directors - The Remuneration Committee is responsible for recommending individual Non-Executive Directors' fees within the limit approved by Shareholders. The current aggregate Directors' fee limit is $150,000. Directors are entitled to have premiums paid for Directors & Officers insurance.

Executive Directors - The total remuneration of the Key Management Executives and Executive Directors consists of the following:

(a) salary - the Key Management Executives and Executive Directors receive a fixed sum payable monthly in cash;
(b) cash at risk component - Key Management Executives and Executive Directors are eligible to participate in a cash bonus plan if deemed appropriate;
(c) share and option at risk component - Key Management Executives and Executive Directors may participate in share and option schemes generally being made in accordance with thresholds set in plans approved by Shareholders if deemed appropriate. The Board, however, considers it appropriate to retain the flexibility to issue shares and options to Key Management Executives and Executive Directors outside of an approved option scheme in exceptional circumstances; and
(d) other benefits - Key Management Executives and Executive Directors are eligible to participate in superannuation schemes, be entitled to have loss of income insurance paid by the Company, be provided a fully expensed Company car or Company car allowance and be provided a fully expensed mobile phone and other forms of remuneration if deemed appropriate.

There is no Company policy in place at this point in time in relation to prohibiting margin lending against financial instruments granted to Directors or Key Management Personnel.

Remuneration Report (continued)

Details of remuneration (audited)

Details of the remuneration of the Directors and Key Management Personnel (as defined in AASB 124 Related Party Disclosures) of the Company for the financial year are set out in the following tables. The Key Management Personnel of the Company are the following Non-Executive and Executive Directors and officers of the Company:

Executive Officers

Nick Hayler	Chief Executive Officer (appointed 30 October 2007)

Executive Directors

John Hoedemaker	Chief Financial Officer and Company Secretary
Bill Hoedemaker	Director of Operations and Brewmaster
Peter Nolin	Managing Director and Brewmaster (resigned 30 October 2007)

Non-Executive Directors

Ian Olson	Chairman (appointed 12 November 2007)
Brett Fraser	(appointed 12 November 2007)
Robert Gould	(appointed 12 November 2007)
Paul McKenzie	(resigned 14 May 2008)
Michael Perrott	Chairman (resigned 24 October 2007)

No other employee had authority or responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, during the financial year.

The objective of the Company's remuneration policy for Directors and other Key Management Personnel is to ensure reward for performance is adequate and appropriate for the results delivered, taking into account competitiveness, reasonableness, acceptability to Shareholders and transparency. The remuneration policy is not linked to the Company's performance, other than through the granting of options whose exercise price is linked to an increasing share price. The market capitalisation of the Company has decreased from $17,828,138 (40¢) at date of listing on the Australian Stock Exchange (13 December 2006) to $8,474,007 (12¢) as at 15 August 2008 and no dividends have been paid during that period.

2008 Remuneration - Key Management Personnel

	Short term benefits			**Post employment benefits**		**Share based**	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Termin-ation benefits $	Options $	Total $
Non-Executive Directors							
Ian Olson	31,667	-	-	-	-	-	31,667
Brett Fraser	20,900	-	-	-	-	-	20,900
Robert Gould	20,900	-	-	-	-	-	20,900
Michael Perrott	16,000	-	-	-	-	-	16,000
Paul McKenzie	29,842	-	-	-	-	8,611*	38,453
Sub-total Non-Exec Directors	*119,309*	-	-	-	-	*8,611*	*127,920*
Executive Key Management							
Nick Hayler (CEO)	142,246	-	31,832	12,877	-	29,479	216,434
Bill Hoedemaker	120,000	-	17,875	10,800	-	55,782	204,457
John Hoedemaker	120,000	-	28,292	10,800	-	55,782	214,874
Peter Nolin	40,000	-	10,960	3,600	110,000	(40,474)*	124,086
Sub-total Executive	*422,246*	-	*88,959*	*38,077*	*110,000*	*100,569*	*759,851*
Totals	**541,555**	**-**	**88,959**	**38,077**	**110,000**	**109,180**	**887,771**

* Options granted to Executive Key Management and Directors are conditional upon continued service with the Company. Upon resignation of Peter Nolin and Paul McKenzie, a number of options will not vest and therefore their value is nil. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed were credited to the expense. Please refer to note 17 to the Financial Statements for more information.

Remuneration Report (continued)
Details of remuneration (audited)(continued)

2007 Remuneration - Key Management Personnel

	Short term benefits			**Post employment benefits**		**Share based**	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Termin-ation benefits $	Options $	Total $
Non-Executive Directors							
Michael Perrott	32,000	-	-	-	-	-	32,000
Paul McKenzie	28,000	-	-	-	-	21,371	49,371
Sub-total Non Exec Directors	*60,000*	-	-	-	-	*21,371*	*81,371*
Executive Key Management							
Bill Hoedemaker	126,059	-	12,346	10,581	-	210,779	359,765
John Hoedemaker	120,058	-	11,093	9,750	-	210,779	351,680
Peter Nolin	120,520	-	8,614	9,750	-	211,726	350,610
Sub-total Executive	*366,637*	-	*32,053*	*30,081*	-	*633,284*	*1,062,055*
Totals	**426,637**	**-**	**32,053**	**30,081**	**-**	**654,655**	**1,143,426**

Service agreements (audited)
Remuneration and other terms of employment for the following Key Management Personnel are formalised in employment agreements, the terms of which are set out below:

Nick Hayler - CEO
- Term of agreement: No fixed term.
- Base salary: $160,000 pa, reviewed annually by the Remuneration Committee.
- Termination: 1 month notice.

Bill Hoedemaker - Director of Operations - Brewmaster
- Term of agreement: 5 years fixed term (expiring on 23 December 2008)
- Base salary: $120,000 pa, reviewed annually by the Remuneration Committee.
- Termination: 6 months notice.

John Hoedemaker - CFO and Company Secretary
- Term of agreement: 5 years fixed term (expiring on 23 December 2008)
- Base salary: $120,000 pa, reviewed annually by the Remuneration Committee.
- Termination: 6 months notice.

Fixed term contracts include the potential for a termination benefit in exceptional circumstances. If the termination is made without reference to a number of reasonable reasons for termination as defined in the service agreements, then the Executive is entitled to the annual salary that, but for the termination, would have been payable to the Executive for the duration of the term of the service agreement.

Remuneration Report (continued)
Share-based compensation (audited)

Options granted to Key Management Personnel
During the year the following options over unissued ordinary shares were granted to Key Management Personnel as part of their remuneration for providing services to the Company:

	Date options granted	Expiry date	Vesting date	Vested in current year	Exercise price payable	Number under option	Value per option at grant date
Nick Hayler	12-Jul-07	12-Jul-12	12-Jul-07	250,000	$0.40	250,000	5.26 cents
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-07	Nil	$0.20	750,000	3.34 cents
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-07	Nil	$0.30	750,000	2.02 cents
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-07	Nil	$0.40	750,000	1.30 cents
						2,500,000	

The terms and conditions of all options affecting remuneration in the previous, this or future reporting periods are as follows:

Date options granted	Expiry date	Date vested & exercisable	Exercise price	Value per option	Number under option
04-Dec-06	4-Dec-11	04-Dec-07	$0.50	10.49 cents	1,925,000
04-Dec-06	4-Dec-11	04-Dec-08	$0.50	10.49 cents	1,925,000
12-Jul-07	12-Jul-12	12-Jul-07	$0.40	5.26 cents	750,000
19-Dec-07	19-Dec-12	19-Dec-08	$0.20	3.34 cents	750,000
19-Dec-07	19-Dec-12	19-Dec-09	$0.30	2.02 cents	750,000
19-Dec-07	19-Dec-12	19-Dec-10	$0.40	1.30 cents	750,000
					6,850,000

The vesting of the options above are subject to the option holder being an employee or Director of the Company during the vesting periods. No options will vest if the conditions are not met, hence the minimum value of the options is nil. The options are linked to performance as their value is linked to an increasing share price over the term of the option. The maximum value has been determined as the fair value per option at grant date multiplied by the number of options. No cash bonuses were paid to or forfeited by Directors during the financial year. Further details of the options granted to Key Management Personnel can be found at note 16 and 17 to the Financial Statements.

Shares issued to Key Management Personnel on the exercise of options
No ordinary shares were issued during the financial year on the exercise of options granted to Key Management Personnel.

Ordinary shares issued on exercise of options

Name	2008	Date of exercise	2007	Date of exercise
Nick Hayler	-	-	-	-
Bill Hoedemaker	-	-	2,489,251	04/12/06
John Hoedemaker	-	-	2,489,252	04/12/06
Paul McKenzie	-	-	-	-
Peter Nolin	-	-	2,503,279	04/12/06
			7,481,782	

Remuneration Report (continued)
Share-based compensation (audited) (continued)

Value of Key Management Personnel options granted, exercised and lapsed

	Options granted Value at grant date	**Options exercised** Value at exercise date	**Options lapsed** Value at time of lapse	**Total value of options granted, exercised and lapsed**	**Value of options included in remun-eration**	**% of total remun-eration consisting of options**	**% of total remun-eration related to performance**
	$	$	$	$	$	%	%
Nick Hayler	63,100	-	-	63,100	29,479	14%	0%
Bill Hoedemaker	115,390	-	-	115,390	55,782	27%	0%
John Hoedemaker	115,390	-	-	115,390	55,782	26%	0%
Paul McKenzie	57,695	-	-	57,695	8,611*	22%	0%
Peter Nolin	115,390	-	-	115,390	(40,473)*	-	0%
Totals	**466,965**	**-**	**-**	**466,965**	**109,181**		

* Upon resignation of Peter Nolin and Paul McKenzie a number of options will not vest and therefore their value is nil. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed were credited to the expense.

All options were valued using the Black Scholes pricing model and the Binomial pricing model, convert into one ordinary share and carry no dividend or voting rights. Further details of the option valuations and model inputs can be found at note 17 to the Financial Statements.

Key Management Options Vested or Unexercisable
The options granted to Key Management Personnel which vested and became exercisable or did not vest and became unexercisable during the year were:

Name	**Year granted**	**Vested 30 June 2008 %**	**Unexercisable 30 June 2008 %**
Nick Hayler	2008	33%	-
Bill Hoedemaker	2007	50%	-
John Hoedemaker	2007	50%	-
Paul McKenzie	2007	50%	-
Peter Nolin	2007	-	50%

Loans to Directors and Executives
The Company has not made any loans to Directors or Executives during the financial year to 30 June 2008 and has no carried forward loans from prior years.

Environmental regulation
The Company's operations are subject to the environmental regulation contained in the Health Act which is monitored by the local council in relation to noise, odour and waste management. The Directors have not been notified and are not aware of any breach of the Health Act or any other significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Insurance of officers
During the financial year the Company paid a premium of $5,400 to insure the Directors and Secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. During the current year, no such non-audit services were provided by the auditors.

Details of audit and non-audit services can be found in note 19 to the Financial Statements.

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 22.

Auditor
BDO Kendalls Audit & Assurance (WA) Pty Ltd (formerly Horwath Audit (WA) Pty Ltd) continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

Ian Olson
Chairman

Palmyra

Dated this 19th day of August 2008

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 this Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles and Recommendations 2nd Edition (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company is required to provide a statement in this and future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company currently has in place a corporate governance policy which is posted in a Company Information section of the Company's website at www.gageroads.com.au.

BEST PRACTICE RECOMMENDATIONS

1 Lay solid foundations for management and oversight

1.1 *Companies should establish the functions reserved to the Board and those delegated to senior Executives and disclose those functions.* The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director and other Executive Directors.

1.2 *Companies should disclose the process for evaluating the performance of senior Executives.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating Executive performance. The Board has met during the year to specifically evaluate the performance of Board members and senior Executives.

2 Structure the Board to add value

2.1 *A majority of the Board should be independent Directors.* Whilst less than half of the current Board are independent Directors (which is not in accordance with the Best Practice Recommendations) your Directors are of the view that the Board is structured in such a way so as to add value and that the number of Directors is appropriate for the size and complexity of the business.

2.2 *The chair should be an independent Director.* The Chairman, Ian Olson, was a principal during the last three years of PKF which advised the Company from time to time and therefore does not satisfy the test for independence as set out in the Best Practice Recommendations. In all other respects Ian Olson may be considered substantially an independent Chairman as he satisfies the remaining principles of the test for independence as set out in the ASX principles.

2.3 *The roles of chair and Chief Executive Officer should not be exercised by the same individual.* The Managing Director and chairperson are different people.

2.4 *The Board should establish a nomination committee.* It is not Company policy to have a nomination committee given the size and scope of Gage Roads Brewing Co Ltd. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process, facilitated by the Chairman in consultation with the Company's external professional advisors.

2.5 *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating its performance. The Board has met during the year to specifically evaluate the performance of Board members and senior Executives.

2.6 *Provide the information indicated in Guide to Reporting on Principle 2.* Information such as the skills, experience and expertise of each Director relevant to their positions and the term they have held office can be found in the Directors' Report. There is a procedure in place which provides for Directors to take independent professional advice at the expense of the Company with the prior approval of the Chairman. The Corporate Governance Policy has been posted on the Company's website.

3 Promote ethical and responsible decision-making

3.1 *Establish a code of conduct and disclose the code or a summary of the code as to:*

(a) the practices necessary to maintain confidence in the Company's integrity,

(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and

(b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company's Corporate Governance Policy includes a Corporate Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct in employment.

3.2 *Companies should establish a policy concerning trading in company securities by Directors, senior Executives and employees, and disclose the policy or a summary of that policy.* The Company's current Corporate Governance Policy includes a Security Trading Policy providing guidelines for buying and selling securities in the Company by Directors and employees. Full details of The Securities Trading Policy can be found in the Corporate Governance Policy which has been posted on the Company's website. In summary, Directors are required to notify the Chairman (and the Chairman notify the Board) of their intention to trade, confirm that they do not hold any insider information, have been advised by the Chairman (or Board) that there is no reason to preclude trading, and complied with any conditions on trading imposed by the Chairman (or Board) including for example, time limits. Employees are required to notify and obtain clearance from the Company Secretary before trading.

3.3 *Provide the information indicated in Guide to Reporting on Principle 3.* The Corporate Governance Policy has been posted on the Company's website.

4 Safeguard integrity in financial reporting

4.1 *The Board should establish an Audit Committee.* The Board has an Audit Committee.

4.2 *The Audit Committee should be structured so that it:*

(a) consists of only Non-Executive Directors,

(b) consists of a majority of independent Directors,

(c) is chaired by an independent chair, who is not chair of the Board, and

(d) has at least three members.

The Audit Committee consists of two Non-Executive Directors Ian Olson and Robert Gould. The Audit Committee Chairman is not independent and is not the chairperson of the Board. Whilst not in accordance with the Best Practice Recommendations, the Company is of the view that the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive and counter productive.

4.3 *The Audit Committee should have a formal charter.* The Company's Corporate Governance Policy includes a formal charter for the Audit Committee.

4.4 *Provide the information indicated in "Guide to Reporting on Principle 4".* Information such as the names and qualifications of members of the Audit Committee, the number of meetings of the Audit Committee and the names of the attendees can be found in the Directors' Report. The Audit Committee charter and procedures for the selection and appointment of the external auditor are incorporated in the Corporate Governance Policy which has been posted on the Company's website.

5 Make timely and balanced disclosure

5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior Executive level for that compliance.* The Company has a continuous disclosure policy in place designed to ensure the factual presentation of the Company's financial position.

5.2 *Provide the information indicated in "Guide to Reporting on Principle 5".* The continuous disclosure policy is incorporated in The Corporate Governance Policy which has been posted on the Company's website.

6 Respect the rights of Shareholders

6.1 *Companies should design a communications policy for promoting effective communication with Shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.* The Company's Corporate Governance Policy includes a Shareholder communications policy which aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders though continuous disclosure to the ASX, the annual report, half year financial report, and quarterly reports, notices of meetings, the annual general meeting, periodic newsletters, all of which are posted on the Company's website at www.gageroads.com.au.

6.2 *Provide the information indicated in "Guide to Reporting on Principle 6".* The Shareholder communications policy is incorporated in The Corporate Governance Policy which has been posted on the Company's website.

7 Recognise and manage risk

7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.* The Company's Corporate Governance Policy includes a risk management and internal compliance and control policy. The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

7.2 *The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.* The Company's Corporate Governance Policy includes a risk management and internal compliance and control policy which delegates the responsibility of risk management and internal compliance to management and outlines the Company's process of risk management, internal compliance and control. Management reports on the management of material business risks at Board meetings.

7.3 *The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.* The statement made in accordance with section 295A of the Corporations Act advises that the statement is founded on a sound system of risk management and internal control and that the Company's risk management and internal compliance and control system, to the extent that they relate to financial reporting, are operating efficiently and effectively in all material respects.

7.4 *Provide the information indicated in "Guide to Reporting on Principle 7".* A description of the Company's risk management and internal compliance and control systems is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

8 Remunerate fairly and responsibly

8.1 *The Board should establish a Remuneration Committee.* The Company's Remuneration Committee comprises two Non-Executive Directors Ian Olson and Robert Gould. Whilst not in accordance with the Best Practice Recommendations, the Company is of the view that the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive and counter productive.

8.3 *Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.* Non-Executive Directors are paid a set fee of $33,000 per annum. The Chairman is paid an additional fee of $17,000 per annum. The Company's Constitution provides that the remuneration of Non-Executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of $150,000 per annum. Further information of Executive and Non-Executive remuneration can be found in the section headed "Remuneration Report" in the Directors' Report.

8.4 *Provide the information indicated in "Guide to Reporting on Principle 8".* Information such as the names and qualifications of members of the Remuneration Committee, the number of meetings of the Remuneration Committee and the names of the attendees can be found in the Directors' Report. The Company has not yet adopted a formal policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. The Remuneration Committee charter is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay St
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

The Directors
Gage Roads Brewing Co Limited
14 Absolon Street
PALMYRA WA 6127

Dear Sirs

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

As lead auditor of Gage Roads Brewing Co. Limited for the year ended 30 June 2008, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Glyn O'Brien

Glyn O'Brien
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Signed at Perth this 19th day of August 2008.

Gage Roads Brewing Co Ltd
Directors' Declaration
As at 30 June 2008

In the Directors' opinion:

(a) the financial statements and notes set out on pages 24 to 53 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

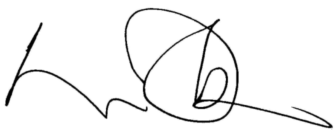
  (ii) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance, as represented by the results of its operations, changes in equity and its cashflows, for the financial year ended on that date; and

(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.

(c) the remuneration disclosures included on pages 12-16 of the Directors' Report (as part of the audited remuneration report), for the year ended 30 June 2008, comply with section 300A of the *Corporations Act 2001.*

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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



Ian Olson
Chairman

Palmyra
Dated this 19th day of August 2008

Gage Roads Brewing Co Ltd
Income Statement
As at 30 June 2008

	Notes	**2008 $**	2007 $
Revenue from continuing operations	3	**2,163,769**	2,120,702
Other income		**6,979**	888
Raw materials, excise, consumables & delivery		**(1,342,199)**	(1,237,887)
Operating expenses		**(464,247)**	(426,494)
Employee expense		**(2,124,770)**	(1,919,959)
Depreciation and amortisation expense	4	**(142,006)**	(118,578)
Sales and marketing		**(1,371,644)**	(921,741)
Administration costs		**(510,245)**	(407,304)
Occupancy costs		**(113,102)**	(107,783)
Finance costs	4	**(43,128)**	(53,168)
Loss before income tax		**(3,940,593)**	(3,071,324)
Income tax benefit	5	**311,725**	-
Loss for the year		**(3,628,868)**	(3,071,324)
Loss attributable to members of Gage Roads Brewing Co Ltd		**(3,628,868)**	(3,071,324)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	23	**(0.07)**	(0.10)
Diluted earnings per share	23	**(0.07)**	(0.10)

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

Gage Roads Brewing Co Ltd
Balance Sheet
As at 30 June 2008

	Notes	2008 $	2007 $
ASSETS			
Current assets			
Cash and cash equivalents	6	**698,537**	2,475,775
Trade and other receivables	7	**490,329**	325,785
Inventories	8	**581,565**	274,584
Total current assets		**1,770,431**	3,076,144
Non-current assets			
Property, plant and equipment	9	**2,507,781**	2,319,057
Intangible assets	10	**3,769**	3,769
Other	11	**-**	2,552
Total non-current assets		**2,511,550**	2,325,378
Total assets		**4,281,981**	5,401,522
LIABILITIES			
Current liabilities			
Trade and other payables	12	**593,951**	442,751
Borrowings	13	**182,390**	145,188
Total current liabilities		**776,341**	587,939
Non-current liabilities			
Borrowings	14	**279,113**	444,101
Total non-current liabilities		**279,113**	444,101
Total liabilities		**1,055,454**	1,032,040
Net assets		**3,226,527**	4,369,482
EQUITY			
Contributed equity	15	**13,005,942**	10,654,202
Share options reserve	16	**285,077**	150,934
Accumulated losses	16	**(10,064,492)**	(6,435,624)
Total equity		**3,226,527**	4,369,512

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

Gage Roads Brewing Co Ltd
Statement of Changes in Equity
As at 30 June 2008

	Notes	2008 $	2007 $
Total equity at the beginning of the financial year		**4,369,512**	2,441,757
Loss for the year		**(3,628,868)**	(3,071,324)
Total recognised income and expense for the year attributable to the members of Gage Roads Brewing Co Ltd		**(3,628,868)**	(3,071,324)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	15	**2,351,740**	5,247,702
Director share options issued	16	**135,481**	149,596
Other share options issued	16	**(1,338)**	1,338
Director share options converted to equity	16	**-**	(399,557)
		2,485,883	4,999,079
Total equity at the end of the financial year		**3,226,527**	4,369,512

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

Gage Roads Brewing Co Ltd
Cashflow Statement
As at 30 June 2008

	Notes	2008 $	2007 $
Cashflows from operating activities			
Receipts from customers (inclusive of GST)		**2,458,208**	2,165,997
Payments to suppliers and employees (inclusive of GST)		**(6,146,278)**	(4,517,102)
		(3,688,070)	(2,351,105)
Interest received		**75,321**	141,845
Interest paid		**(43,128)**	(53,168)
Net cash outflow from operating activities	22	**(3,655,877)**	(2,262,428)
Cashflows from investing activities			
Payments for property, plant and equipment		**(328,516)**	(743,855)
Net cash outflow from investing activities		**(328,516)**	(743,855)
Cashflows from financing activities			
Proceeds from issues of shares and other equity securities		**2,334,940**	4,343,087
Proceeds from borrowings		**17,402**	-
Repayment of borrowings		**(145,188)**	(133,343)
Net cash inflow from financing activities		**2,207,154**	4,209,744
Net increase in cash and cash equivalents		**(1,777,238)**	1,203,461
Cash and cash equivalents at the beginning of the financial year		**2,475,775**	1,272,314
Cash and cash equivalents at the end of the financial year	6	**698,537**	2,475,775

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

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, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* .

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and notes of Gage Roads Brewing Co Ltd comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in the notes as required.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

(ii) Interest income

Interest revenue is recognised on a time proportional basis using the effective interest method, see note 1(j).

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Leases

Leases of property, plant and equipment where the entity has substantially all the risks and rewards of ownership are classified as finance leases (note 20). Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cashflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For cashflow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency of payments, are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cashflows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(i) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials. They include the transfer from equity of any gains/losses on qualifying cashflow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Investments and other financial assets

The Company classifies its financial assets in the following categories: loans and receivables.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade receivables in the balance sheet (note 7).

Financial assets are de-recognised when the rights to receive the cashflows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Company for similar financial instruments.

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cashflow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Property, plant and equipment (continued)

Depreciation on other assets is calculated using both the straight line and reducing balance methods to allocate their cost or revalued amount, net of their residual values, over their estimated useful lives, as follows:

Brewery, plant & equipment	3.33% - 30%
Office equipment	7.50% - 50%
Motor vehicles	13.64% - 18.75%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Intangible assets

Trademarks

Trademarks are treated as having an infinite useful life because they are expected to contribute to the net cashflows indefinitely. Therefore, the trademarks would not be amortised until their useful life is determined to be finite. They would be individually tested for impairment in accordance with AASB 136 annually and whenever there is an indication that any of the trademarks may be impaired. They are carried at cost.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
The fair value of options at grant date is independently determined using a Black-Scholes or Binomial option pricing model that takes into account the exercise price, term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of the options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received are credited to share capital.

(r) Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

(s) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cashflows are presented on a gross basis. The GST components of cashflows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cashflows.

(t) Foreign currency
Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(u) Earnings per share
Basic earnings per share
This is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Diluted earnings per share

This adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Going concern

The Company has adopted a strategic plan which addresses the fundamental requirement of the business to increase both distribution outlets and volume per outlet to increase total revenue and achieve profitability. The overarching objective of the strategic plan is to achieve profitability by December 2009.

The Company monitors its forecasts and cashflows continuously to ensure the Company has sufficient working capital and the financial flexibility required to implement its strategic plan.

Although current cashflow forecasts show the Company has sufficient funds to meet its obligations as and when they become due and payable, the Company has determined that funds of some $600,000 should be raised to provide a level of financial contingency. The Company has been in discussions with a number of interested parties who have indicated an interest in investing cumulatively some $600,000 for ordinary shares in Gage Roads.

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.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8.

AASB 8 Operating Segments and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results, and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the Financial Statements.

Revised AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Company will apply the revised AASB 123 from 1 July 2009, but it is not expected to have any impact on the Company's Financial Statements.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the Financial Statements. The Company intends to apply the revised standard from 1 July 2009.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AASB 2008-1 Amendments to AASB 2 - Share-based Payments - Vesting Conditions and Cancellations
AASB 2008-1 was issued in February 2008 and is applicable for annual reporting periods beginning on or after 1 January 2009. It amends the definition of vesting conditions and has clarified the accounting treatment for cancellations to share-based payment arrangements by the counterparty. The Company will apply the revised standard from 1 July 2009 and does not anticipate that the application of this standard will have a significant impact on the Company's financial statements.

Improvements to IFRS
Improvements to IFRS was issued in May 2008 and is applicable for annual reporting periods beginning on or after 1 July 2009. It comprises accounting changes for presentation, recognition and measurement, as well as terminology and editorial changes. The Company will apply the revised standard from 1 July 2009 but it is not expected to have any significiant impact on the Company's financial statements.

(x) Critical Accounting Estimates
The preparation of Financial Statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no significant areas involving a higher degree of judgement or complexity in the Financial Statements.

Note 2 : Financial Risk Management

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the management team under policies approved by the Board of Directors. The Fair Value of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

	2008	2007
	$	$
Financial assets		
Cash and cash equivalents	**698,537**	2,475,775
Trade and other receivables	**-**	-
	698,537	2,475,775
Financial liabilities		
Trade and other payables	**499,596**	381,463
Borrowings	**461,503**	589,288
Other financial liabilities	**94,355**	61,259
	1,055,454	1,032,010

(a) Market risk

(i) *Foreign exchange risk*
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company does not have any significant exposure to foreign exchange risk.

(ii) *Price risk*
The Company does not have any investments classified as available-for-sale or at fair value through profit or loss and therefore does not have any exposure to price risk.

(iii) *Fair value interest rate risk*
Refer to (d) over page.

(b) Credit risk

Credit risk arises in relation to cash and cash equivalents and deposits with financial institutions. Cash transactions are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit risk exposure to any one financial institution.

Credit risk also arises in relation to trade receivables. The Company only has a credit risk concentration in trade receivables with respect to its distributor, through purchasing large quantities for distribution to outlets. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit

The maximum exposure to credit risk is the carrying amount of the financial assets as disclosed above.

Note 2 : Financial Risk Management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities or Shareholder support. The Company has no committed credit facilities at year-end.

2008	**Total**	**<30 days**	**<60 days**	**>60 days**
Trade payables	303,893	285,684	6,100	12,109
Other payables	195,703	134,701	59,118	1,884
Interest payable	-	-	-	-
Total Payable	499,596	420,385	65,218	13,993

2007	Total	<30 days	<60 days	>60 days
Trade payables	284,998	215,238	54,805	14,955
Other payables	96,466	66,162	30,304	
Interest payable	-	-	-	-
Total Payable	381,464	281,400	85,109	14,955

(d) Cashflow and fair value interest rate risk

The Company's interest-bearing assets are at floating interest rates, thereby exposing the Company to fair value interest-rate risk through changes in market interest rates. The Company policy is to accept this risk by linking in deposit terms with funding requirements and market interest rates available for different terms.

As at 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates and all other variables held constant, the loss for the year would have been $9,293 higher/lower (2007: $22,594 higher/lower) from interest income on cash and cash equivalents.

The Company's long term borrowings are at a fixed interest rate and as such there is no risk to the Company's interest payments and operational cashflows arising from its liabilities.

(e) Specific Industry risk

In June 2008 the Varanus Island gas explosion reduced the supply of natural gas available to industries within Western Australia. To date the natural gas supply to the Company has not been limited. The Company uses natural gas in the manufacturing and packaging of products and therefore any reduction in availability may affect the Company's ability to produce products. A secondary impact of the reduction of natural gas has been the reduction of availability of carbon dioxide which is also used in the Company's processes. The Company will continue to source carbon dioxide from local suppliers who have organised to maintain supply from other States of Australia at a higher cost.

Note 3 : Revenue

	2008	2007
	$	$
From continuing operations		
Sales revenue		
Sale of goods	**2,105,103**	1,978,857
	2,105,103	1,978,857
Other revenue		
Interest	**58,666**	141,845
	2,163,769	2,120,702

Note 4 : Expenses

	2008 $	2007 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**109,721**	82,341
Office equipment	**8,817**	8,828
Motor vehicles	**21,254**	27,225
Total depreciation	**139,792**	118,394
Amortisation		
Establishment expenses	**2,214**	184
Total amortisation	**2,214**	184
Bad Debt Expense		
Bad debts written off	**1,205**	28,350
Bad Debts Expensed	**1,205**	28,350
Finance costs		
Interest and finance charges paid/payable	**43,128**	53,168
Finance costs expensed	**43,128**	53,168
Rental expense relating to operating leases		
Minimum lease payments	**100,713**	97,243
Total rental expense relating to operating leases	**100,713**	97,243
Defined contribution superannuation expense		
Superannuation expense	**132,915**	93,575
Total defined contribution superannuation expense	**132,915**	93,575

Note 5 : Income tax expense / (benefit)

	2008 $	2007 $
(a) Income tax expense / (benefit)		
Current tax	**-**	-
Deferred tax	**-**	-
R & D tax offset refund	**(311,725)**	-
	(311,725)	-

Note 5 : Income tax expense / (benefit) (continued)

	2008 $	2007 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	**(3,628,868)**	(3,071,324)
Tax at the Australian tax rate of 30% (2007 - 30%)	**(1,088,660)**	(921,397)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**45,283**	196,396
Fines and entertaining	**2,862**	2,935
	(1,040,515)	(722,066)
Taxation benefit not recognised	**1,040,515**	722,066
R & D tax offset refund	**(311,725)**	-
Income tax expense / (benefit)	**(311,725)**	-

(c) Unrecognised tax losses

	2008	2007
Unused tax losses for which no deferred tax asset has been recognised	**8,836,068**	5,367,684
Potential tax benefit @ 30%	**2,650,820**	1,610,305

(d) Unrecognised temporary differences

Deferred tax assets and liabilities have not been brought to account in 2008 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 claimed. The level of DTAs and DTLs not recognised, other than the losses noted above, are both immaterial and net to a nominal level, hence the unrecognised tax losses approximate the overall net deferred tax assets not brought to account in 2008.

Note 6 : Current assets - Cash and cash equivalents

	2008 $	2007 $
Cash at bank and in hand	**698,537**	2,475,775
	698,537	2,475,775

(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 cashflow 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%.

Note 7 : Current assets - Trade and other receivables

	2008 $	2007 $
Trade receivables	**124,048**	273,382
GST receivable	**36,166**	33,234
R & D tax offset receivable	**311,725**	-
Other receivables	**18,390**	19,168
	490,329	325,785

(a) Bad and doubtful trade receivables

Bad and doubtful trade receivables that are known to be uncollectable during the year ended 30 June 2008 have been written off. The Company is unaware of any doubtful trade receivables and has not made any provision in respect of any doubtful trade receivables as of 30 June 2008. Bad trade receivables which have been expensed to bad debts expense are amounts past due which are uncollectable from three smaller debtors who experienced unexpected financial difficulties. Please see note 4 Bad Debt Expense for receivables written off during the year.

(b) Interest rate risk

There are no interest-bearing balances in receivables, therefore the Company has no interest rate risk.

(c) Past due but not impaired

As of 30 June 2008 trade receivables of $27,954 (2007 - $44,872) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2008 $	2007 $
Up to 3 months	**27,954**	43,147
3 to 6 months	**-**	1,725
	27,954	44,872

(d) Fair value and credit risk

Due to their short-term nature, the fair value of receivables approximates their carrying value. The maximum exposure to credit risk is their carrying value above. The Company only has a credit risk concentration with respect to its distributor. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. See note 2 for more information on the risk management policy of the Company.

Note 8 : Current assets - Inventories

	2008 $	2007 $
Raw material and stores - at cost	**435,682**	217,491
Work-in-progress - at cost	**37,156**	15,036
Finished goods - at cost	**108,728**	42,057
	581,565	274,584

Inventory expense

Inventories recognised as an expense during the year ended 30 June 2008 amounted to $1,342,199 (2007: $1,237,887). No inventory was written off during the year.

Note 9 : Non-current assets - Property, plant and equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 1 July 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	1,523,825	17,908	151,862	1,693,595
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	2,163,537	30,882	124,638	2,319,057
At 30 June 2007				
Cost or fair value	2,390,471	57,971	202,562	2,651,004
Accumulated depreciation	(226,934)	(27,089)	(77,924)	(331,947)
Net book amount	2,163,537	30,882	124,638	2,319,057
Year ended 30 June 2008				
Opening net book amount	2,163,537	30,882	124,638	2,319,057
Additions	316,822	11,694	-	328,516
Depreciation charge	(109,721)	(8,817)	(21,254)	(139,792)
Closing net book amount	2,370,639	33,758	103,384	2,507,781
At 30 June 2008				
Cost or fair value	2,707,294	69,664	202,562	2,979,520
Accumulated depreciation	(336,655)	(35,906)	(99,178)	(471,739)
Net book amount	2,370,639	33,758	103,384	2,507,781

(b) Non-current assets pledged as security.
Refer to note 14 for information on non-current assets pledged as security by the Company.

Note 10 : Non-current assets - Intangible assets

At 1 July 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
Year ended 30 June 2008	
Opening net book amount	3,769
Additions	-
Closing net book amount	3,769

Trademarks
Trademarks are considered to have a infinite useful life, in accordance with note 1(m).

Note 11 : Non-current assets - Other

	2008 $	2007 $
Establishment and borrowing costs	**-**	2,552
	-	2,552

Establishment costs
Costs of $920 were incurred as part of the setup of the Company in 2003 and amortised over a 5 year period. The remaining balance was fully expensed in 2008.

Borrowing costs
Costs of $2,465 were incurred on the setup of finance leases and amortised over a 5 year period. The remaining balance was fully expensed in 2008.

Note 12 : Current liabilities - Trade and other payables

	2008 $	2007 $
Trade payables	**303,893**	284,998
R & D tax offset expenses payable	**62,345**	-
Other payables (a)	**227,713**	157,724
	593,951	442,722

(a) Amounts not expected to be settled within one year
Other payables include accruals for annual leave. The entire obligation is expressed as Current as the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave within the next 12 months. The estimated leave that is not expected to be taken in the next twelve months is $94,355.23 (2007: ($61,259.11)

Note 13 : Current liabilities - Borrowings

	2008 $	2007 $
Secured		
Lease liabilities (note 20)	**43,865**	17,450
Other loans	**138,525**	127,738
Total secured current borrowings	**182,390**	145,188
Total current borrowings	**182,390**	145,188

(a) Other loans
These are chattel mortgages secured over specific assets to be repaid within 5 years (refer note 14 - 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 due to their short term nature.

(d) Security
Details of the security relating to each of the secured liabilities are set out in note 14.

Note 14 : Non-current liabilities - Borrowings

	2008 $	2007 $
Unsecured		
Convertible Note (a)	**17,402**	-
Total unsecured non-current borrowings	**17,402**	-
Secured		
Lease liabilities (note 20)	**-**	43,864
Other loans	**261,711**	400,237
Total secured non-current borrowings	**261,711**	444,101
Total non-current borrowings	**279,113**	444,101

(a) Convertible Note
The convertible note with Vok Beverages Pty Ltd is interest free, unsecured and provides for the funds to be converted into ordinary shares on a quarterly basis at a 12.5% discount to the prevailing VWAP of Gage Roads shares. The terms of the convertible note provide for the conversion of any outstanding balance upon the end of the two year term. The convertible note is subject to shareholder approval at the next AGM.

(b) 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:

	2008	2007
Fixed charges		
Plant and equipment	**1,263,221**	1,405,749
Motor vehicles	**54,976**	67,241
	1,318,197	1,472,990
Finance lease		
Motor vehicles	**48,144**	57,396
Total assets pledged as security	**1,366,341**	1,530,386

(c) Other loans - 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.

Note 15 : Contributed equity

	2008 Shares	2007 Shares	2008 $	2007 $
(a) Share Capital				
Ordinary shares				
Fully paid	**70,616,724**	44,570,458	**13,005,942**	10,654,202

Note 15 : Contributed equity (continued)

	2008 Shares	2007 Shares	**2008 $**	2007 $
(b) Movement in contributed equity:				
1 July (opening balance)	**44,570,458**	45,303,029	**10,654,202**	**5,406,500**
Issues of shares during the year				
Preference shares issued 7/7/06, 20¢		1,276,368		255,274
Preference shares issued 8/8/06, 20¢		400,000		80,000
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, 40¢		10,000,000		4,000,000
Converting note, 40¢		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 to employees	**70,000**		**16,800**	
Placement ordinary shares issued, 13¢	**6,584,419**		**855,974**	
Prospectus ordinary shares issued, 8¢	**19,391,847**		**1,551,348**	
Capital raising costs		-	**(72,383)**	(492,336)
30 June (closing balance)	**70,616,724**	44,570,458	**13,005,942**	10,654,202

At 30 June 2008 there were 70,616,724 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 16 : Reserves and accumulated losses

	2008 $	2007 $
(a) Share options reserve		
Movements in share options reserve were as follows:		
Balance 1 July	**150,934**	399,557
Transfer to contributed equity (options exercised)	**-**	(399,557)
Options cancelled (Draught Program)	**(1,338)**	1,338
Options expensed (KMP Remuneration)	**135,481**	149,596
Balance 30 June	**285,077**	150,934

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

Note 16 : Reserves and accumulated losses (continued)

	2008	2007
	$	$
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	**(6,435,624)**	(3,364,300)
Net loss for the year	**(3,628,868)**	(3,071,324)
Balance 30 June	**(10,064,492)**	(6,435,624)

Note 17 : Share-based payments

(a) Options granted to Directors

3,850,000 options in total were granted to Directors, Peter Nolin, Paul McKenzie, Bill Hoedemaker and John Hoedemaker on 4 December 2006 having regard to the length of service and the past and potential contribution to the Company. Shareholders approved the grant of these options at a general meeting held 30 November 2006.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of $0.50 per share. The options vest and become exercisable over a period of two years from the grant date, with 50% vesting and exercisable after one year and the other 50% vesting and exercisable after two years. The options are further subject to a number of conditions predominately being the achievement of share price hurdles and continuity of service during the vesting periods. The options carry no dividend or voting rights.

Directors' Options

2008	Date options granted	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Peter Nolin	04-Dec-06	04-Dec-11	$0.50	1,100,000	-	-	550,000	550,000	-
Paul McKenzie	04-Dec-06	04-Dec-11	$0.50	550,000	-	-	275,000	275,000	275,000
Bill Hoedemaker	04-Dec-06	04-Dec-11	$0.50	1,100,000	-	-	-	1,100,000	550,000
John Hoedemaker	04-Dec-06	04-Dec-11	$0.50	1,100,000	-	-	-	1,100,000	550,000
Total				3,850,000	-	-	825,000	3,025,000	1,375,000

Directors' Options

2007	Date options granted	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Peter Nolin	04-Dec-06	04-Dec-11	$0.50	-	1,100,000	-	-	1,100,000	-
Peter Nolin	23-Dec-03	01-Jan-09	$0.00002	2,503,279	-	2,503,279	-	-	-
Paul McKenzie	04-Dec-06	04-Dec-11	$0.50	-	550,000	-	-	550,000	-
Bill Hoedemaker	04-Dec-06	04-Dec-11	$0.50	-	1,100,000	-	-	1,100,000	-
Bill Hoedemaker	23-Dec-03	01-Jan-09	$0.00002	2,489,251	-	2,489,251	-	-	-
John Hoedemaker	04-Dec-06	04-Dec-11	$0.50	-	1,100,000	-	-	1,100,000	-
John Hoedemaker	23-Dec-03	01-Jan-09	$0.00002	2,489,251	-	2,489,251	-	-	-
Total				7,481,781	3,850,000	4,992,530	-	3,850,000	-

The fair value of options granted during the year at grant date of $403,865 was calculated independently using a Binomial pricing model that took into account the term of the options, the exercise price, the underlying value of the shares, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Note 17 : Share-based payments (continued)

Model inputs used to value the options granted included:

- exercise price is $0.50,
- market price of option at grant date, $0.40, consistent with listing price of shares as disclosed in the prospectus,
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 5.68%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities and entities in similar industries at grant date.

No options were exercised, forfeited or lapsed during the year ended 30 June 2008. On 4 December 2007, 1,375,000 of the options vested and became exercisable. 550,000 options held by Peter Nolin did not vest, are not exercisable and will automatically lapse on 4 December 2008. In 2007, 7,481,782 options were exercised upon lisitng of the Company on the ASX.

The value of the options has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed and were credited during the year amounted to ($53,281) (2007: Nil). The net proportion of the value of the options which was expensed to remuneration and accounted for in the share option reserve was $79,702 for the financial year ended 30 June 2008 (2007: $149,596).

(b) Options to participating venues (Draught Option Program) Cancelled

The Draught Option Program was cancelled and all agreements to issue options were terminated during the year ended 30 June 2008.

Agreements to issue 285,000 options in total were made with participating venues under the Draught Option Program. The program sought to overcome barriers to entry in the draught market and reward committed relationships by ensuring that hoteliers, whose efforts are instrumental in helping grow the Gage Roads brand, shared in the benefits of that growth. Under the program a number of venues committed to a three year draught relationship.

Each option entitled the holder to subscribe for and be allotted one share at an exercise price of $0.40 per share. The options are only capable of being exercised if the outlet achieves sales targets in each of the 1st, 2nd, and 3rd years of the program.

Date options granted	Term	Exercise Price	Number under option
Feb 07 - June 07	1.5 Years	$0.40	95,000
Feb 07 - June 07	2.5 Years	$0.40	95,000
Feb 07 - June 07	3.5 Years	$0.40	95,000
			285,000

The fair value for each venue's options at grant date was calculated internally using the higher of the Black Scholes pricing model and the Binomial pricing model that took into account the term of the options, the exercise price, the underlying value of the shares, the expected dividend yield, the impact of dilution and the risk-free interest rate. The total fair value calculated for all options granted to venues at 30 June 2007 was $19,357.

Model inputs used to value the options granted included:

- exercise price is $0.40 cents,
- market price of option at grant dates ranged from $0.20 to $0.32,
- expected volatility of the Company's shares is 55%,
- risk-free interest rate used ranged from 6.395% to 6.465%,
- time to maturity ranged from 1.5 years to 3.5 years; and
- no dividend yield was projected during the terms.

Note 17 : Share-based payments (continued)

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities, and entities in similar industries at grant date.

The value of the options was allocated over the term of the options being adjusted by the probability of each venue achieving the sales targets as determined by the Company at each half year and full year. As the Draught Option Program was cancelled due to non-market conditions and all agreements to issue options were terminated during the year the value which had been previously expensed and was credited during the year amounted to $3,760. The net proportion of the value of the options which was credited to the income statement and reversed in the share option reserve was ($1,338) for the financial year ended 30 June 2008. Expense in 2007 was $1,338.

(c) Incentive Option Scheme

The Company has in place an Option Incentive Scheme approved by Directors on 31 October 2006 with the purpose of encouraging participation by eligible employees in the Company through share ownership and to attract, motivate, and retain eligible employees. The Incentive Option Scheme is designed to provide long-term incentives for employees, including Directors, to deliver long-term shareholder returns. Under the plan, participants may be granted options which vest if certain performance or continued service standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Employee Incentive Scheme Options

2008	Date options granted	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Nick Hayler	12-Jul-07	12-Jul-12	$0.40	-	250,000	-	-	250,000	250,000
Nick Hayler	19-Dec-07	19-Dec-12	$0.20	-	750,000	-	-	750,000	-
Nick Hayler	19-Dec-07	19-Dec-12	$0.30	-	750,000	-	-	750,000	-
Nick Hayler	19-Dec-07	19-Dec-12	$0.40	-	750,000	-	-	750,000	-
Aaron Heary	12-Jul-07	12-Jul-12	$0.40	-	250,000	-	-	250,000	250,000
Donald Pleasance	12-Jul-07	12-Jul-12	$0.40	-	250,000	-	-	250,000	250,000
Total				-	3,000,000	-	-	3,000,000	750,000

No options were granted under the Employee Incentive Options Scheme during the year ended 30 June 2007.

(i) Incentive Option Scheme options issued to employees - 12 July 2007

750,000 options over unissued ordinary shares were granted on 12 July 2007 to three employees of the Company in accordance with the Company's Incentive Option Scheme as part of their remuneration and having regard for their past and potential contribution to the Company.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of $0.40 per share. The options are only capable of being exercised if the holder is in the current employment of the Company (with an additional 30 day grace period). The options vest at grant date and have a term of 5 years.

No options were exercised, forfeited or lapsed during the year ended 30 June 2008.

The fair value at grant date of $39,450 was calculated internally using the Black Scholes pricing model that took into account the term of the options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is $0.40,
- market price of option at grant date, $0.215,
- expected volatility of the Company's shares is 55%,
- risk-free interest rate used is 6.40%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

Note 17 : Share-based payments (continued)

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities and entities in similar industries at grant date.

As the options vested immediately on the grant date the total value of the options of $39,450 was expensed to remuneration and accounted for in the share option reserve in the financial year ended 30 June 2008.

(ii) Incentive Option Scheme options issued to Key Management Personnel - 19 December 2007
2,250,000 options in total were granted to the CEO Nick Hayler on 19 December 2007 in accordance with the Company's Incentive Option Scheme as part of his remuneration having regard to the length of service and his past and potential contribution to the Company.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of between $0.20 and $0.40 per share. The options were issued in three tranches, the first tranche vesting in one year from the grant date with an exercise price of $0.20, the second tranche vesting in two years with an exercise price of $0.30, the third tranche vesting in three years with an exercise price of $0.40. The vesting of the options is subject to the option holder being an employee or Director of the Company during the vesting periods.

The fair value at grant date of $49,950 was calculated internally using the Black Scholes pricing model that took into account the term of the options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:
- exercise price of $0.20 - $0.40,
- market price of option at grant date, $0.12,
- expected volatility of the Company's shares is 40%,
- risk-free interest rate used is 6.52%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities and entities in similar industries at grant date.

No options were exercised, forfeited or lapsed during the year ended 30 June 2008.

The value of the options has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the options which was expensed to remuneration and accounted for in the share option reserve was $16,329 for the financial year ended 30 June 2008.

(d) Shares issued to employees - 26 July 2007
On 26 July 2007, 70,000 ordinary shares were issued to employees of the Company as a gift.

All eligible employees of the Company (other than Directors) received a gift of 5,000 shares in recognition of their extraordinary contribution to date. The shares were issued on 26 July 2007 for nil consideration in accordance with a resolution of the Board.

Date shares issued	Number shares issued
26-Jul-07	70,000

The fair value at issue date of $16,800 was calculated internally using the closing market price of shares at issue date of $0.24.

The total value of the shares of $16,800 was expensed to remuneration and accounted for in contributed equity in the financial year ended 30 June 2008.

Note 17 : Share-based payments (continued)

	2008 $	2007 $
(e) Expenses arising from Share-based payments		
Options issued to Directors (a)	**79,702**	654,654
Draught Option Program (b)	**(1,338)**	1,338
Incentive Option Scheme (c)	**55,779**	-
Shares issued to employees (d)	**16,800**	-
	150,943	655,992

Note 18 : Related party transactions

(a) Key Management Personnel

Key Management Personnel as defined by AASB 124 Related Party Transactions are listed as follows:

(i) Executive Officers	
Nick Hayler	Chief Executive Officer (appointed 30 October 2007)
(ii) Executive Directors	
John Hoedemaker	Chief Financial Officer, Company Secretary
Bill Hoedemaker	Director of Operations, Brewmaster
Peter Nolin	Managing Director, Brewmaster (resigned 30 October 2007)
(iii) Non-Executive Directors	
Brett Fraser	(appointed 12 November 2007)
Ian Olson	Chairman (appointed 12 November 2007)
Michael Perrott	Chairman (resigned 24 October 2007)
Paul McKenzie	(resigned 14 May 2008)
Robert Gould	(appointed 12 November 2007)

Directors have been in office from the start of the financial year to the date of this report unless otherwise stated.

No other employee had authority or responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, during the financial year.

(b) Key Management Personnel compensation	2008 $	2007 $
Short-term employment benefits - Executive Directors	**549,282**	398,690
Short-term employment benefits - Non-Executive Directors	**119,309**	60,000
Post-employment benefits	**110,000**	30,081
Share-based payments (note 17)	**109,181**	654,654
	887,771	1,143,425

(c) Transactions and loans with related parties

There have been no transactions or loans with Key Management Personnel and their related parties during the current or prior year.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 12 to 16.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by Key Management Personnel of Gage Roads Brewing Ltd, including their personally related parties, are set out over page:

Note 18 : Related party transactions (continued)

(d) Equity instrument disclosures relating to Key Management Personnel (continued)

(ii) Option holdings (continued)

	Balance at start of the year	Granted as compensation	Exercised	Balance at end of the year
2008				
Directors				
Ian Olson	-	-	-	-
Brett Fraser	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker	1,100,000	-	-	1,100,000
John Hoedemaker	1,100,000	-	-	1,100,000
Paul McKenzie	550,000	-	-	550,000
Peter Nolin	1,100,000	-	-	1,100,000
Michael Perrott	-	-	-	-
Executive Key Management				
Nick Hayler (CEO)	-	2,500,000	-	2,500,000
	3,850,000	2,500,000	-	6,350,000
2007				
Directors				
Bill Hoedemaker	2,489,251	1,100,000	(2,489,251)	1,100,000
John Hoedemaker	2,489,252	1,100,000	(2,489,252)	1,100,000
Paul McKenzie	-	550,000	-	550,000
Peter Nolin	2,503,279	1,100,000	(2,503,279)	1,100,000
Michael Perrott	-	-	-	-
	7,481,782	3,850,000	(7,481,782)	3,850,000

(iii) Shareholdings

The number of shares in the Company held during the financial year by each Director of Gage Roads Brewing Ltd, including their personally related entities, are set out below. There were no shares granted during the reporting period as compensation, nor shares received due to the exercise of options.

	Nominally Held+	Balance at start of the year	Purchase of shares	Received as Employee Gift*	Balance at end of the year
2008					
Directors					
Ian Olson	100%	123,750	705,152	-	828,902
Brett Fraser	70%	742,167	292,500	-	1,034,667
Robert Gould	0%	571,458	5,402,894	-	5,974,352
Bill Hoedemaker	14%	2,758,921	125,000	-	2,883,921
John Hoedemaker	14%	2,758,920	125,000	-	2,883,920
Paul McKenzie	0%	1,100,001	-	-	1,100,001
Peter Nolin	10%	2,774,468	-	-	2,774,468
Michael Perrott	0%	513,334	-	-	513,334
Executive Key Management					
Nick Hayler (CEO)		-	5,000	5,000	10,000
		11,343,019	6,655,546	5,000	18,003,565

* Please see note 17 "Shares issued to employees - 26 July 2007"

\+ Percentage of 2008 year end balance held directly in the Director's name.
No shares were received from the exercise of options in 2008.

Note 18 : Related party transactions (continued)

	Nominally Held+	Balance at start of the year	Adjustment on purchase, bonus, issue and consolidation of shares	Received on exercise of options	Balance at end of the year
2007					
Directors					
Bill Hoedemaker	10%	490,307	(220,638)	2,489,252	2,758,921
John Hoedemaker	10%	490,307	(220,638)	2,489,251	2,758,920
Paul McKenzie	0%	1,600,001	(500,000)	-	1,100,001
Peter Nolin	10%	493,070	(221,881)	2,503,279	2,774,468
Michael Perrott	0%	933,334	(420,000)	-	513,334
		4,007,019	(1,583,157)	7,481,782	9,905,644

+ Percentage of year end balance held directly in the Director's name.

Note 19 : Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2008 $	2007 $
(a) Assurance services		
BDO Kendalls Audit & Assurance (WA) Pty Ltd (formerly Horwath Audit (WA) Pty Ltd)		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**28,512**	25,797
IFRS related review	**-**	-
Total remuneration for assurance services	**28,512**	25,797
(b) Non-audit services		
Horwath Securities (WA) Pty Ltd		
Investigating Accountant's report for the prospectus dated 8 November 2006	**-**	5,010
Total remuneration for non-assurance services	**-**	5,010

Note 20 : Commitments

	2008 $	2007 $
(a) Lease commitments - Company as lessee		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	106,248	108,944
Later than one year but not later than five years	-	101,746
	106,248	210,690
Representing:		
Operating leases as per (i) below	105,541	192,345
Future finance charges on finance leases as per (ii) over page	707	4,869
	106,248	197,214

Note 20 : Commitments (continued)

(i) Operating leases

The Company leases its premises under an operating lease expiring 1 May 2009. The lease has annual CPI and 5 yearly market review escalation clauses and options of renewal. The commitments below relate to the primary lease agreement period. The Company has the option to extend the lease for two further periods of 5 years each.

Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	**105,541**	100,354
Later than one year but not later than five years	**-**	91,991
	105,541	192,345

(ii) Finance leases

The Company has financed various motor vehicles with a carrying amount of $48,144 (2007 - $57,396) under hire purchase agreements expiring within 2 to 4 years. Under the terms of the agreements the Company has the option to acquire the hire purchase assets at pre-determined balloon amounts on the expiry of the agreements.

Commitments in relation to finance leases are payable as follows:		
Within one year	**44,571**	17,937
Later than one year but not later than five years	**-**	48,246
Minimum lease payments	**44,571**	66,183
Future finance charges	**(707)**	(4,869)
Total lease liabilities	**43,864**	61,314
Representing lease liabilities:		
Current (note 13)	**43,864**	17,450
Non-current (note 14)	**-**	43,864
	43,864	61,314

The weighted average interest rate implicit in the leases is 7.5% (2007 - 7.5%).

(b) Future Remuneration Commitments

The Company has two fixed term service agreements which expire on 23 December 2008.

Commitments in relation to the fixed term service agreements are payable as follows:		
Within one year	**125,113**	261,600
Later than one year but not later than five years	**-**	125,113
Total future comitments	**125,113**	386,713

Note 21 : Events occurring after the balance sheet date

In July 2008 Gage Roads and Ballydooly Cider Company (NZ) executed a heads of agreement to form a joint venture ("JV") to produce premium-quality cider for the Australian market. The current Australian cider market is worth in excess of $107 million annually and is dominated by one product which provides enormous potential for new brands. Ballydooly is the largest independent cider manufacturer in New Zealand and brings to the JV a range of established premium cider recipes using Australian and New Zealand apples.

In July 2008 the Company executed a formal distribution agreement and convertible note agreement with new distribution partner, South Australia-based, VOK Beverages Pty Ltd ("VOK"). VOK commenced distributing Gage Roads products nationally on 1 June 2008 under the terms of a Heads of Agreement. VOK has a strong reputation in the beverages industry and has already helped to boost sales of Gage Roads products nationally. Pursuant to the terms of the convertible note agreement VOK has also agreed to take a $2 million cornerstone investment in Gage Roads. The convertible note, which is subject to shareholder approval, will provide $2 million in funding to Gage Roads over the next two years. The convertible note is interest free, unsecured and provides for the funds to be converted into ordinary shares on a quarterly basis at a 12.5% discount to the prevailing VWAP of Gage Roads shares.

No other matter or circumstance has arisen since 30 June 2008 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.

Note 22 : Reconciliation of profit after income tax to net cash outflow from operating activities

	2008 **$**	2007 $
Loss for the year	**(3,628,868)**	(3,071,324)
Depreciation and amortisation	**142,006**	118,578
Share option expense	**150,943**	655,991
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	**149,334**	(92,176)
(Increase) decrease in other debtors	**(310,947)**	(21,571)
(Increase) decrease in inventories	**(306,982)**	(47,859)
Increase (decrease) in trade creditors	**18,895**	135,909
Increase (decrease) in other operating liabilities	**96,645**	36,724
Increase (decrease) in other provisions	**33,096**	23,301
Net cash outflow from operating activities	**(3,655,877)**	(2,262,428)

Note 23 : Earnings Per Share

	2008 **$**	2007 $
Basic earnings per share ("EPS")	**(0.07)**	(0.10)
Diluted earnings per share	**(0.07)**	(0.10)
(a) Basic earnings per share		
Loss used in calculating basic EPS	**(3,628,868)**	(3,071,324)
Weighted average number of ordinary shares used in calculating basic EPS	**56,116,469**	30,678,502

The loss used in the calculation in basic earnings per share equates to the net loss in the income statement.
The weighted average number of ordinary shares used in calculating basic earnings per share does not include potential ordinary shares such as shares under option or preference shares before their conversion to ordinary shares on 30 November 2006.

(b) Diluted earnings per share

The dilutive loss per share is the same as the basic loss per share on account of the Company's potential ordinary shares not being dilutive because their conversion to fully paid shares would not increase the loss per share.

Note 24 : Non-cash investing and financing activities

	2008 **$**	2007 $
Acquisition of plant and equipment by means of hire purchase agreements	**-**	-

Note 25 : Segment reporting

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

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay St
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

INDEPENDENT AUDITOR'S REPORT

To the members of Gage Roads Brewing Co. Limited

Report on the Financial Report

We have audited the accompanying financial report of Gage Roads Brewing Co. Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Gage Roads Brewing Co. Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to the financial report which indicates that Gage Roads Brewing Co. Limited incurred a net loss of $3,628,868 during the year ended 30 June 2008. 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Gage Roads Brewing Co. Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Limited

BDO Kendalls

Glyn O'Brien

Glyn O'Brien
Director
Signed at Perth this 19th day of August 2008.

Gage Roads Brewing Co Ltd
Additional ASX Information
As at 18 August 2008

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in the annual report is as follows. This information is as at 18 August 2008.

Substantial Shareholders (holding more than 5%)

	Fully Paid Ordinary Shares	
Shareholder	**Ordinary Shares**	**Percentage**
Top Nominees Pty Ltd	10,521,252	14.90%
Surplus Pty Ltd	6,093,662	8.63%
Pieter Hoedemaker	5,528,503	7.83%

Top 20 Shareholders
(a) Fully Paid Ordinary Shares

	Fully Paid Ordinary Shares	
Shareholder	**Ordinary Shares**	**Percentage**
Top Nominees Pty Ltd	10,521,252	14.90%
Surplus Pty Ltd	6,093,662	8.63%
Pieter Hoedemaker	5,528,503	7.83%
Ruralaus Investments Limited	2,525,000	3.58%
Jane Linda Nolin	2,503,279	3.54%
Jove Pty Ltd	2,310,000	3.27%
Nordana Pty Ltd	1,964,912	2.78%
Jamie Phillip Boyton	1,882,016	2.67%
Nicholas Simon Draper and Melinda Jane Draper	1,500,000	2.12%
Annapurna Pty Ltd	1,200,000	1.70%
Rokadarj Pty Ltd	1,106,500	1.57%
Paul Randell Camerer	1,026,667	1.45%
Perpetual Custodians Ltd	1,000,000	1.42%
Ian Peter Olson	998,156	1.41%
Silverlake Nominees Pty Ltd	805,000	1.14%
Chalkstick Pty Ltd	800,000	1.13%
Teepee Investments Pty Ltd	800,000	1.13%
Steven John Pawelski	733,333	1.04%
Timothy Peter Pawelski	733,333	1.04%
Brett Francis Fraser	724,167	1.03%

(b) Unlisted Options over Fully Paid Ordinary Shares

	Unlisted Options	
Option Holder	**Ordinary Shares**	**Percentage**
Nick Hayler	2,500,000	36.50%
Pieter Hoedemaker	2,200,000	32.12%
Jane Linda Nolin	1,100,000	16.06%
Aminac Pty Ltd	550,000	8.03%
Aaron Heary	250,000	3.65%
Donald Pleasance	250,000	3.65%
Total Options	6,850,000	100.00%

Additional ASX Information (continued)

Distribution of Holders of Ordinary Fully Paid Shares

Range	Total Holders	Units	Percentage
1-1,000	3	259	0.00%
1,001-5,000	99	427,384	0.61%
5,001-10,000	122	1,030,102	1.46%
10,001-100,000	159	5,691,417	8.06%
100,001-9,999,999	90	63,467,562	89.88%
Total	**473**	**70,616,724**	**100.00%**

As at 18 August 2008 there were 112 Shareholders with less than marketable parcels.

Voting rights

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. Options have no voting rights.

Shares and Options subject to escrow

As at 18 August 2008 there are 8,901,474 ordinary shares and the shares that may be made available from 3,850,000 options held in escrow until 13 December 2008.