

Appendix 4D Half-Year Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the half-year ended 31 December 2011

Results for announcement to the market

Revenue from ordinary activities	up	32%	to	8,069,076
Loss from ordinary activities after tax attributable to members	down	79%	to	(80,782)
Net loss attributable to members	down	79%	to	(80,782)

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	31 December 2011	31 December 2010
	\$	\$
	0.02	0.02

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 and joint venture entities during the period.

Reporting Periods

The current reporting period is the half-year ended 31 December 2011. The previous corresponding period is the half-year ended 31 December 2010.

Commentary on the results for the half-year ended 31 December 2011

Review of Operations

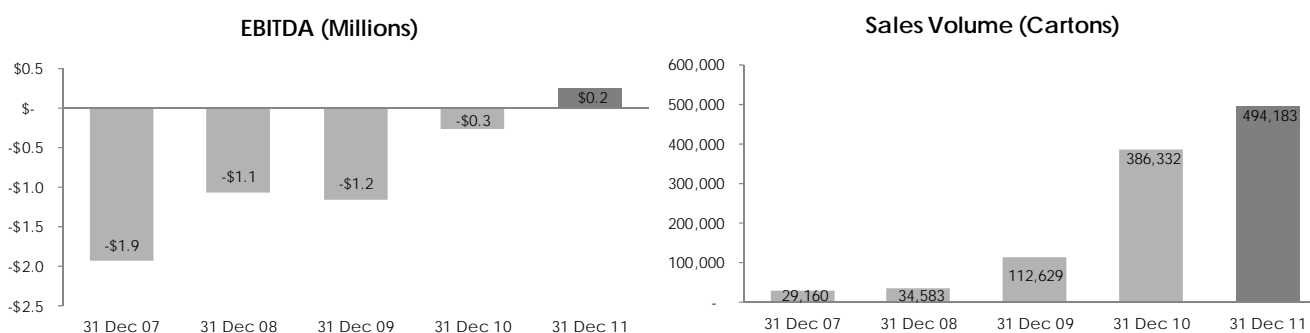
Highlights

- Revenue increases 32% to \$8.1 million
- Total sales volume increases by 28%
- Record December quarter NPAT of \$0.68 million (unaudited)
- 4 new products launched to market
- Summer 2012 tank expansion complete

This first-half of FY12 has seen Gage Roads Brewing Co achieve significant milestones towards its 4 year growth plan, including increasing production capacity, sales volumes, reductions in operating costs per carton and improvements in productivity.

Total sales volume for the half-year was in excess of 490,000 cartons, an increase of 28% over the corresponding 1st half of FY11. Correspondingly, revenue increased 32% to \$8.1 million for the half-year ended 31 December 2011.

Notwithstanding the net loss for the half-year of \$0.08 million, the Company achieved a \$0.68 million net profit (unaudited) for the December quarter. Although hampered by the first quarter's unseasonably low results and a number of shutdowns undertaken during the period to install new equipment, the result for the half-year recovered strongly in December and was only marginally below Director's original expectations.



On an EBITDA basis, the Company's half year result of \$240,097 highlights the Company's continuing trend towards earnings growth and the achievement of its 4 year growth plan.

The growth in sales for the half-year was predominantly driven by Gage Road's ongoing commitment to support Woolworths' private label strategy and a 14% increase in demand during the period for brands such as Dry Dock, Clipper Light, Castaway Apple Cider and Castaway Pear Cider. This growth was also supported by a number of new products successfully developed for Woolworths during the half-year including Sail & Anchor Draught, Castaway Pear Cider and Ol' Bluey Ginger beer. These new products are all showing initial promising responses from the market.

GRB 4 Year Growth Plan	
Production	Triple production capacity to 3 million cartons by FY15
Costs	Reduce operating costs per case by 50% by FY15
Sales	Continue partnering the growth of Woolworths' private label strategy and take advantage of growing contract brewing opportunities in Australia
Productivity	Building a Better Place to Work: implementing 5S, improving work environments and amenities, focusing on core values and cultural change to improve behaviours and improve productivity.

Contract brewed products for other customers including Matso's Broome Brewery's Ginger Beer, Mango Beer, Monsoonal Blond, and Smokey Bishop also made a positive contribution to the half-year results delivering a 118% growth in sales over the previous corresponding period. New product Pearl's Pale Ale was also successfully launched for Matso's during the half-year.

As a result of a focus to strengthen our ranging of products in Queensland and a focus on national promotional activity during the half-year, Gage Road's proprietary products including Gage Roads Premium Lager, Wahoo Premium Ale, Sleeping Giant IPA, Atomic Pale Ale and Pils Premium Mid Strength also saw a pleasing 97% growth in sales over the previous corresponding period.

The Company's outlook remains positive with approximately 6 new products planned to be launched during the remainder of FY12. In January, Castaway Strawberry & Lime Cider was launched for Woolworths, followed by a large bottle Dry Dock (640ml) in February. The Company is also receiving increased enquiries for contract brewing services from other 3rd parties both domestically and internationally. Continuing volume growth of existing products, new product development and growth in other contract opportunities will underpin the Board's plan to grow production capacity to 3 million cartons by FY15.

During the half-year the Company commenced the adoption of lean-manufacturing practises with a focus on the Japanese 5S manufacturing principles as the core fundamental instrument of the program. I congratulate the Gage Roads' team on their improvements in productivity, and subsequent reductions in operating costs achieved so far, through the adoption of this cultural change. Their efforts culminated in a number of production records being achieved during December including the highest daily production volume record of 13,520 cases of high quality production within a 24 hour shift, the highest number of truck movements through the logistics facility within a 24 hour period and the highest sales achieved in a calendar month of just over 170,000 cartons sold in December. The Company is also pleased with the improved stabilisation and retention of the workforce in comparison to previous periods.

The \$9.6 million capital expansion project designed to take the Company's production capacity from 1.2 million to 3 million cases of beer, cider and other beverages by FY15, continued on track during the half-year with the substantial completion of the bottling line speed upgrade and the completion of the summer 2012 tank expansion project. Both these projects made a significant contribution to enabling the December record result. Further capital expansion items expected to be commissioned during the coming quarter include an ammonia refrigeration plant and new boiler. These are expected to lower variable operating costs through more efficient use of electricity and gas.

In January, the Company executed an agreement with Krones of Germany to purchase a complete 100hL traditional brew house and ancillary equipment to the value of \$3.3 million. Krones has an excellent reputation worldwide as a brewery manufacturer and has recently successfully commissioned a number of similar sized breweries in Australia. The brew house is currently being manufactured and is expected to be commissioned and available for first commercial brewing in late September 2012, in time for the expected seasonal increase in demand. The new brew house is a significant contributor to the Company's goal to reduce operating costs by 50% by FY15.

In the upcoming months Gage Roads brewery will continue to deliver on its growth plan commitments, including the expansion of our brewing capacity, growing our strategic partnership with Woolworths, growing other contract brewing opportunities and maintaining our focus on reducing operating costs and improving productivity.

Please refer to the attached Financial Report for the half-year ended 31 December 2011 for further information.



John Hoedemaker
Managing Director
Gage Roads Brewing Co Ltd
Tel: (08) 9331 2300

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

Signed:



Company Secretary

Date: 29 February 2012

Name:

John Hoedemaker



**GAGE ROADS BREWING CO LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

ABN 22 103 014 320

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2011, and any public announcements made by Gage Roads Brewing Company Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Gage Roads Brewing Co Ltd
Financial Report
For the Half-Year Ended 31 December 2011

Corporate Directory

Directors

Ian Olson (Chairman)
Robert Gould
Steven Greentree
Bill Hoedemaker
John Hoedemaker

Managing Director

John Hoedemaker

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 DC WA 6961

Auditor

BDO Audit (WA) Pty Ltd
38 Station 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 Ltd
GPO Box D182
PERTH WA 6840

Registry Enquiries

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

Gage Roads Brewing Co Ltd
Financial Report
For the Half-Year Ended 31 December 2011

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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2011

Review of Operations

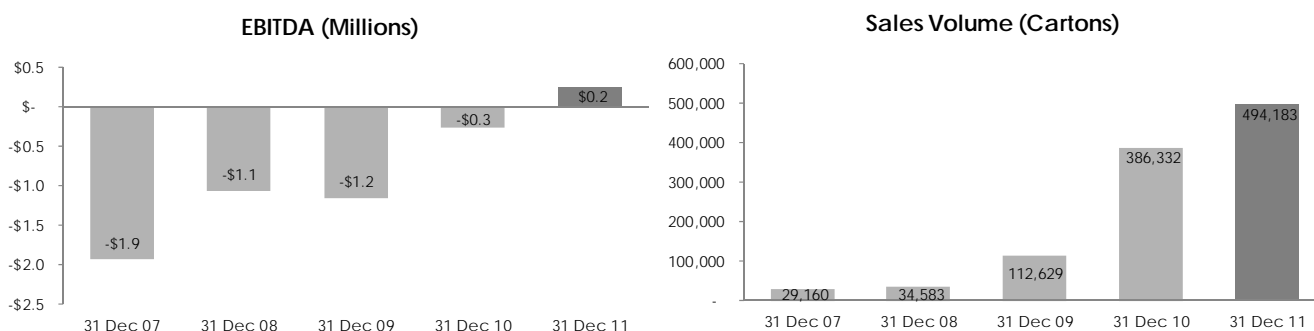
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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2011

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John Hoedemaker
Managing Director

Gage Roads Brewing Co Ltd
Directors' Report
For the Half-Year Ended 31 December 2011

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2011.

Directors

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

Ian Olson (Chairman)
Robert Gould
Steven Greentree
Bill Hoedemaker
John Hoedemaker

Managing Director

John Hoedemaker

Principal Activities

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

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 profit (loss) of the Company for the half-year ended 31 December 2011 after providing for income tax amounted to (\$80,782) (2010: (\$392,365)).

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

Events occurring after balance date

On 27 January 2012, the Company signed an agreement with Kronos AG regarding the supply of an automated brewhouse. The company has committed funds of \$3,300,000 for the purpose of this acquisition.

On 8 February 2012, the Company issued 500,000 shares to an eligible employee at an issue price of \$0.067 and entered into a corresponding non-recourse loan totalling \$33,500 in accordance with the Company's Employee and Executive Share Plan.

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 7.

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



Ian Olson
Chairman

Palmyra
29 February 2012

29 February 2012

The Directors
Gage Roads Brewing Co. Limited
14 Absolon Street
PALMYRA WA 6157

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF GAGE ROADS BREWING CO. LIMITED

As lead auditor for the review of Gage Roads Brewing Co. Limited for the half-year ended 31st December 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Peter Toll
Director

BDO Audit (WA) Pty Ltd,
Subiaco, Perth

Gage Roads Brewing Co Ltd
Directors' Declaration
For the Half-Year ended 31 December 2011

The Directors of the Company declare that:

- (a) The financial statements and notes set out on pages 11 to 22 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001: and
 - (ii) give a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the Directors by:



Chairman

Palmyra
29 February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GAGE ROADS BREWING CO. LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gage Roads Brewing Co. Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gage Roads Brewing Co. Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gage Roads Brewing Co. Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO


Peter Toll
Director

Dated this 29th day of February 2012
Perth, Western Australia

Gage Roads Brewing Co Ltd
Statement of Comprehensive Income
For the Half-Year ended 31 December 2011

	Notes	31 December 2011 \$	31 December 2010 \$
Revenue from continuing operations			
Sales revenue		8,063,602	6,133,776
Interest revenue		5,474	1,788
	2	<u>8,069,076</u>	<u>6,135,564</u>
Other income	2	26,664	109
Raw materials, consumables & delivery		(4,089,123)	(3,147,323)
Operating expenses		(1,257,642)	(834,087)
Employee expense		(1,969,879)	(1,859,256)
Depreciation and amortisation expense		(185,230)	(158,404)
Sales and marketing		(145,130)	(151,754)
Administration costs		(243,230)	(264,052)
Occupancy costs		(150,639)	(145,124)
Finance costs		(142,196)	(136,195)
Loss before income tax	3	<u>(87,329)</u>	<u>(560,522)</u>
Income tax benefit	5	6,547	168,157
Profit (Loss) for the half-year		<u>(80,782)</u>	<u>(392,365)</u>
Total comprehensive income for the half-year		<u>(80,782)</u>	<u>(392,365)</u>
Profit (Loss) and Other Comprehensive Income attributable to members of Gage Roads Brewing Co Ltd		<u>(80,782)</u>	<u>(392,365)</u>
Profit (Loss) per share attributable to the ordinary equity holders of the company:			
Basic and diluted profit (loss) per share (cents)		(0.03)	(0.13)

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

Gage Roads Brewing Co Ltd
Statement of Financial Position
As at 31 December 2011

	Notes	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,973,409	2,084,661
Trade and other receivables		1,427,218	680,692
Inventories		1,329,000	888,644
Total current assets		<u>5,729,627</u>	<u>3,653,997</u>
Non-current assets			
Property, plant and equipment	4	11,275,932	7,504,549
Intangible assets		10,093	3,769
Deferred tax asset	5	3,629,204	3,622,657
Total non-current assets		<u>14,915,229</u>	<u>11,130,975</u>
Total assets		<u>20,644,856</u>	<u>14,784,972</u>
LIABILITIES			
Current liabilities			
Trade and other payables		6,621,314	4,722,993
Borrowings	6	27,879	46,174
Total current liabilities		<u>6,649,193</u>	<u>4,769,167</u>
Non-current liabilities			
Provisions		99,600	92,800
Borrowings	6	7,611,544	4,200,000
Total non-current liabilities		<u>7,711,144</u>	<u>4,292,800</u>
Total liabilities		<u>14,360,337</u>	<u>9,061,967</u>
Net assets		<u>6,284,519</u>	<u>5,723,005</u>
EQUITY			
Contributed equity	7	17,262,904	16,674,448
Share options reserve	8	402,869	349,028
Accumulated losses		(11,381,254)	(11,300,471)
Total equity		<u>6,284,519</u>	<u>5,723,005</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Gage Roads Brewing Co Ltd
Statement of Changes in Equity
For the Half-Year ended 31 December 2011

	Contributed equity \$	Accumulated Losses \$	Share Option reserve \$	Total equity \$
At 1 July 2010	16,586,699	(11,422,892)	345,853	5,509,660
Total comprehensive income for the half-year		(392,365)		(392,365)
Transactions with equity holders in their capacity as equity holders:				
Employee and other share options expensed	-	-	3,175	3,175
At 31 December 2010	16,586,699	(11,815,257)	349,028	5,120,470
Total comprehensive income for the half-year		514,786		514,786
Transactions with equity holders in their capacity as equity holders:				
Employee and other share options expensed	-	-	-	-
Employee share plan shares expensed	87,749	-	-	87,749
At 30 June 2011	16,674,448	(11,300,471)	349,028	5,723,005
Total comprehensive income for the half-year capacity as equity holders:	-	(80,782)	-	(80,782)
Contributions of equity, net of transaction costs	588,456	-	-	588,456
Employee and other share options expensed	-	-	53,841	53,841
At 31 December 2011	17,262,904	(11,381,254)	402,869	6,284,520

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

Gage Roads Brewing Co Ltd
Statement of Cash Flows
For the Half-Year ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST, WET and Excise Tax)	14,159,999	11,194,045
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	<u>(13,621,631)</u>	<u>(10,047,185)</u>
	538,368	1,146,860
Interest received	5,474	1,788
Interest paid	<u>(142,195)</u>	<u>(136,195)</u>
Net cash inflow (outflow) from operating activities	<u>401,647</u>	<u>1,012,453</u>
Cash flows from investing activities		
Payments for property, plant and equipment	<u>(3,494,604)</u>	<u>(851,433)</u>
Net cash outflow from investing activities	<u>(3,494,604)</u>	<u>(851,433)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	588,456	-
Proceeds from borrowings	4,055,759	25,357
Repayment of borrowings	<u>(662,510)</u>	<u>(84,436)</u>
Net cash inflow (outflow) from financing activities	<u>3,981,705</u>	<u>(59,079)</u>
Net increase/(decrease) in cash and cash equivalents	888,748	101,941
Cash and cash equivalents at the beginning of the financial half-year	<u>2,084,661</u>	<u>889,266</u>
Cash and cash equivalents at the end of the financial half-year	<u>2,973,409</u>	<u>991,207</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2011

Note 1 : Summary of significant accounting policies

(a) Basis of preparation of half-year financial statements

The general purpose financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

The historical cost basis has been used as the basis of preparation.

This half-year financial report does not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, this half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Gage Roads Brewing Co Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this half-year financial report as compared with the most recent annual financial report, unless otherwise stated.

(b) Going concern

At 31 December 2011, the company had a working capital deficiency of \$919,566. The company has entered into agreements with its financiers to provide banking facilities of \$9.7 million to fund working capital and the future expansion of the company's facilities. The banking facility is secured over the assets of the company and Woolworths Limited has provided a guarantee for the facility.

Should Woolworths Limited not continue to provide the guarantee and support the company and the company is unable to trade profitably or secure alternative funding, there exists a risk that the company may not be able to continue as a going concern.

The Company has adopted a strategic plan which addresses the fundamental requirement of the business to increase production volume to increase total revenue and achieve consistent profitability. Capital infrastructure allowing the Company to produce in excess of 1 million cartons per annum was installed during the last 24 months, and an annualised production volume of over 1 million cartons per annum and an operating profit was achieved in the year ended 30 June 2011. This installed production capacity in conjunction with the contract brewing agreement with Woolworths Limited and the anticipated growth of the Company's proprietary brands is expected to contribute significantly toward achieving ongoing profitability.

The Company monitors its forecasts and cash flows continuously to ensure the Company has sufficient working capital and the financial flexibility required to implement its strategic plan. Current cashflow forecasts show the Company has sufficient funds to meet its obligations as and when they become due and payable.

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.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2011

Note 2 : Revenue & Other Income

	31 December 2011 \$	31 December 2010 \$
<i>Revenue</i>		
Sale of goods	13,424,450	10,243,000
Less: Excise tax & WET collected	(5,360,848)	(4,109,224)
Total sale of goods	8,063,602	6,133,776
Interest	5,474	1,788
	8,069,076	6,135,564
<i>Other income</i>		
Other	26,664	109
	8,095,740	6,135,673

Note 3 : Expenses

Profit (Loss) before income tax includes the following specific expenses that are unusual because of their nature, size or incidence:

Employee share-based payment expense	53,841	3,175
	53,841	3,175

Note 4 : Property, plant & equipment

	Plant and equipment	Capital works in Progress	Office equipment	Motor vehicles	Total
At 30 June 2011					
Cost or fair value	7,983,822	476,710	176,317	202,387	8,839,236
Accumulated depreciation	(1,072,894)	-	(113,206)	(148,587)	(1,334,687)
Net book amount	6,910,928	476,710	63,111	53,800	7,504,549
Half-year ended 31 December 2011					
Opening net book amount	6,910,928	476,710	63,111	53,800	7,504,549
Additions	41,952	3,905,137	9,398	-	3,956,487
Depreciation charge	(166,673)	-	(13,682)	(4,750)	(185,104)
Closing net book amount	6,786,207	4,381,847	58,828	49,050	11,275,932
At 31 December 2011					
Cost or fair value	8,025,774	4,381,847	185,715	202,387	12,795,723
Accumulated depreciation	(1,239,567)	-	(126,888)	(153,337)	(1,519,792)
Net book amount	6,786,207	4,381,847	58,828	49,050	11,275,932

Gage Roads Brewing Co Ltd
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Note 5 : Income tax benefit / Deferred Tax Asset

	31 December 2011 \$	30 June 2011 \$
(a) Deferred tax asset		
Recognition of deferred tax asset	<u>3,629,204</u>	<u>3,622,657</u>
(b) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	<u>12,097,347</u>	<u>12,075,523</u>
Deferred tax asset @ 30%	<u>3,629,204</u>	<u>3,622,657</u>

Deferred tax assets and liabilities have been brought to account as at 31 December 2011 after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the future that taxable profits will be available against which the benefit can be claimed. The Company believes that due to the growth of Gage Roads' proprietary brands and contract brew brands it is probable that sufficient future taxable profits will be available against which unused tax losses can be utilised.

The Company has investigated the availability of the carry forward tax losses in respect of Divisions 165, 166 and 175 of the Income Tax Assessment Act 1997 (being the satisfaction of the continuity of ownership tests, or alternatively the satisfaction of the same business test and their non preclusion by the income injection provisions) and has formed the opinion that it is more likely than not that the Company will not be prevented from deducting all of its accumulated losses as at 31 December 2011 by virtue of these divisions of the Income Tax Assessment Act 1997.

(c) Significant Estimates & Judgements

As disclosed to the ASX in May 2009, in conjunction with Woolworths Limited acquiring a 25% interest in Gage Roads Brewing, the Company also entered into a contractual Supply Agreement with Woolworths Limited to contract brew products for a three year Initial Term and two year Extended Term. Subsequently Deferred Tax Assets were recognised on Gage Road's financial statements at 31 December 2009.

These Deferred Tax Assets are recognised as being recoverable based on internal sales budgets and profit projections for the period of the supply agreement extended Term. Additional Deferred Tax Assets have been recognised in respect of losses incurred subsequent to the Woolworths Limited investment. These losses are recognised as assets on the basis that the Supply Agreement will be renewed and extended beyond the terms of the current Supply Agreement. Should this Agreement not be continued beyond its Extended Term, these balances may not be recoverable at the amounts recognised in the Statement of Financial Position.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
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Note 6 : Borrowings

The Company has a committed credit facility of \$9.7 million with the ANZ Banking Group which is drawn to \$7.7m million at the period end.

The loan is a fixed rate, Australian Dollar denominated loan.

Contractual maturities of financial liabilities

At 31 December 2011	< 1 year	1 - 2 years	2 - 5 years	Total contractual cash flows	Carrying Value
Trade payables	5,536,854	-	-	5,536,854	5,536,854
Other payables	1,084,460	-	-	1,084,460	1,084,460
Loans & leases	384,393	7,788,336	-	8,172,729	7,639,423
Total Payable	7,005,707	7,788,336	-	14,794,043	14,260,737

Contractual maturities of financial liabilities

At 30 June 2011	< 1 year	1 - 2 years	2 - 5 years	Total contractual cash flows	Carrying Value
Trade payables	3,211,722	-	-	3,211,722	3,211,722
Other payables	1,461,271	50,000	-	1,511,271	1,511,271
Loans & leases	340,174	294,000	4,494,000	5,128,174	4,246,174
Total Payable	5,013,167	344,000	4,494,000	9,851,167	8,969,167

There have been no changes to the terms, conditions and security over the loans from the disclosures in the 30 June 2011 annual report.

Note 7 : Contributed equity

	31 December 2011 Shares	31 December 2010 Shares	31 December 2011 \$	31 December 2010 \$
(a) Share Capital				
Ordinary shares				
Fully paid	340,659,545	303,918,559	17,262,904	16,586,699
	2011 Shares	2010 Shares	2011 \$	2010 \$
(b) Movement in contributed equity:				
1 July (opening balance)	305,043,545	303,918,559	16,674,448	16,586,699
New shares issued	35,616,000	-	588,456	-
31 December (closing balance)	340,659,545	303,918,559	17,262,904	16,586,699

At 31 December 2011 there were 340,659,545 ordinary shares on issue.

Gage Roads Brewing Co Ltd
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Note 8 : Share-based payments

(a) Executive and Employee Share Plan

Shares issued pursuant to this Plan (Incentive Shares) are for services rendered by eligible employees and Directors to date and, going forward, for services rendered by existing and any new eligible employees and Directors who are appointed in the future. The Company feels that incentive shares are effective consideration to eligible employees and Directors for their ongoing commitment and contribution to the Company. Where the Company offers to issue Incentive Shares to a Director, the Company may offer to provide the Director a limited recourse, interest free loan to be used for the purposes of subscribing for the Incentive Shares in the Company.

Executive and Employee Share Plan shares

31-Dec-11	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the half-year	Forfeited during the half-year	Balance at end of the half-year	Vested at end of the half-year
John Hoedemaker	07-Oct-11	06-Oct-13	\$0.062	-	10,000,000	-	10,000,000	-
Bill Hoedemaker	07-Oct-11	06-Oct-13	\$0.062	-	6,000,000	-	6,000,000	-
Aaron Heary	07-Oct-11	06-Oct-13	\$0.062	-	8,000,000	-	8,000,000	-
Angela Lovell	22-Nov-11	21-Nov-18	\$0.062	-	500,000	-	500,000	-
Peter Pudney	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Andrew Duke	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Donald Pleasance	22-Nov-11	21-Nov-18	\$0.062	-	500,000	-	500,000	-
Dineshkumar Patel	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Marcel Brandenburg	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Matthew Morisey	22-Nov-11	21-Nov-18	\$0.062	-	500,000	-	500,000	-
Total				-	26,700,000	-	26,700,000	-

(i) Employee and Executive Share Plan shares issued to key management personnel 7 October 2011

On 7 October 2011, 24,000,000 shares were issued to three key management personnel of the Company at an issue price of 6.2 cents per share and corresponding non-recourse loans totalling \$1,488,000 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key Loan Terms:

- Loan amount: \$0.062 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 6 October 2018)
- Vesting condition for 50%: remains eligible employee for 12 months
- Vesting condition for balance: remains eligible employee for 24 months
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 29 September 2011

The loans are non-recourse except against the Shares held by the participant to which the Loan relates.

The Board may, in its absolute discretion, agree to forgive a Loan made to a participant.

The fair value at grant date of \$610,613 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
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Note 8 : Share-based payments (continued)

Model inputs used to value the options granted included:

- exercise price is \$0.062
- market price of shares at grant date, \$0.062
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.95%
- time to maturity, 5 years; and
- a dividend yield of 1%

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.

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term. However, at this time the Company does not have a current dividend policy.

The value of the instruments 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 instrument which was expensed to remuneration and accounted for in the share option reserve was \$53,324 for the half-year ended 31 December 2011.

***(ii) Employee and Executive Share Plan shares issued to employees
22 November 2011***

On 22 November 2011, 2,700,000 shares were issued to eligible employees of the Company at an issue price of 6.2 cents per share and corresponding non-recourse loans totalling \$167,400 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key Loan Terms:

- Loan amount: \$0.062 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 21 November 2018)
- Vesting condition: remains eligible employee for 36 months
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 29 September 2011

The loans are non-recourse except against the Shares held by the participant to which the Loan relates.

The Board may, in its absolute discretion, agree to forgive a Loan made to a participant.

The fair value at grant date of \$72,614 was calculated using the Black Scholes pricing model that took into account the term, 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 \$0.062
- market price of shares at grant date, \$0.062
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.57%
- time to maturity, 5 years; and
- a dividend yield of 1%

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Note 8 : 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.

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term. However, at this time the Company does not have a current dividend policy.

The value of the instruments 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 instrument which was expensed to remuneration and accounted for in the share option reserve was \$517 for the half-year ended 31 December 2011.

	31 December
	2011
	\$
(b) Expenses arising from Share-based payments	
Employee and Executive Share Plan shares	53,841
	53,841

Note 9 : Contingencies

(a) Contingent liabilities and assets

There are no material contingent liabilities or contingent assets of the Company at 31 December 2011.

Note 10 : Events occurring after balance date

On 27 January 2012, the Company signed an agreement with Kronen AG regarding the supply of an automated brewhouse. The company has committed funds of \$3,300,000 for the purpose of this acquisition.

On 8 February 2012, the Company issued 500,000 shares to an eligible employee at an issue price of \$0.067 and entered into a corresponding non-recourse loan totalling \$33,500 in accordance with the Company's Employee and Executive Share Plan.

Note 11 : Segment Reporting

Management has determined that the company has two operating segments, being proprietary brand brewing and contract brewing. As the processes from production to retailing are almost identical for both products, and they exhibit similar economic characteristics, they meet the AASB 8 criteria for aggregation.

Due to the extensive overlapping of the two operating segments, the Board monitors the company based on overall Net Profit level along with production volumes. This internal reporting framework is considered the most relevant to assist the chief operating decision maker with making decisions regarding the company and its operating activities.

There are no discrete corporate activities to the segments that would require reconciliation between segment expenses and total expenses.

	31 December	31 December
	2011	2010
	\$	\$
Revenue from external sources	8,063,602	6,133,776
Net profit (loss) before tax	(87,329)	(560,522)

Gage Roads Brewing Co Ltd
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Note 11 : Segment Reporting (continued)

	31 December	30 June
	2011	2011
	\$	\$
Reportable segment assets	20,644,856	14,784,972

Woolworths Limited is a major customer of the company as defined by AASB 8, as revenue from that customer exceeds 10% of total revenue from external sources. The Company sells into the Woolworth's national distribution network and also to other national and international outlets.