

# Appendix 4E Preliminary Final Report

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

**For the financial year ended 30 June 2016**

### Results for announcement to the market

				\$
Revenue from continuing activities	Up	5%	to	25,502,310
Profit from ordinary activities after tax attributable to members	Up	174%	to	612,353
Net profit attributable to members	Up	174%	to	612,353

### Dividends (distributions)

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

<b>Net tangible assets per share</b>	<b>30 June 2016</b>	30 June 2015
	\$	\$
	<b>0.03</b>	0.03

### Statement of accumulated losses

	<b>30 June 2016</b>	30 June 2015
	\$	\$
Balance 1 July	(11,141,714)	(10,314,893)
Net profit for the year	<b>612,353</b>	(826,822)
Balance 30 June	<u><b>(10,529,361)</b></u>	<u>(11,141,714)</u>

### Details of controlled entities

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

### Details of associates and joint venture entities

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

### Reporting Periods

The current reporting period is the financial year ended 30 June 2016. The previous corresponding period is the year ended 30 June 2015.

### Financial statements

The Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and associated notes are contained in the attached Annual Report for the year ended 30 June 2016.

## Commentary on the results for the year ended 30 June 2016

### Full Year FY16 Results

- Total sales volume 1.4 million carton equivalents\* (steady on prior year comparative period).
- Revenue \$25.5 million (up 5% on prior year comparative period).
- Gage Roads' proprietary craft products sales volume 0.35 million carton equivalents\* (up 83% on prior year comparative period).
- Gage Roads proprietary draught sales up 180% over prior year comparative period.
- Gross Profit margin 52% (up from 51% in prior year comparative period).
- EBITDA up 248% to \$2.7 million.
- NPAT up 174% to \$0.61 million (FY15: (\$0.83 million)).

\* *One carton equivalent = 7.92L = 24 x 330mL bottles = 0.16 x 50L kegs.*

It is with pleasure that I report to shareholders on the FY16 results. It was a successful year for Gage Roads, a year that saw a turnaround in the profitability of the business, and a year that provides a solid base from which to execute our new five-year operational strategy.

The new five-year strategy, "Returning to Craft", launched in May 2016 (ASX announcement 16 May 2016) is underpinned by the rapidly growing demand for high quality craft beer in Australia. In recent years, the growth of our proprietary range of craft brands has positioned Gage Roads as one of the largest independent craft beer brands in Australia and the only brewer currently listed on the ASX.

Gage Roads is in a strong position to take advantage of the growth of the craft beer market generally, and of our brands, to expand our distribution into the previously un-tapped independent retail and on-premise channels on a national basis.

A key pillar of the Company's strategy is building a greater awareness of our brands, through the expansion of our national sales and marketing team. The Company has a coordinated plan to open up opportunities for consumers to trial our products and engage with the Gage Roads brand values and ethos, through hotels, pubs and retail outlets nationally.

Recently appointed Sales and Marketing Manager, Scott Player, has championed the new sales and marketing plan and provides the Company with strong leadership and experience in sales and marketing as we continue to focus more of our efforts and resources in that direction. Scott has almost 20 years' experience in sales and marketing of craft beer and has been instrumental in growing the national distribution and sales of a number of the most recognised craft brands in Australia.

The continued focus on high quality craft products and growing our higher margin proprietary craft beer portfolio as a proportion of our sales profile is targeted to deliver meaningful incremental improvement in the Company's gross profit margins and earnings over the coming five years.

We have recently announced a capital raising transaction (ASX: 30 August 2016) designed to set the business on a solid financial and structural footing to support the success of the strategy over the next five years. The transaction contemplates a fully underwritten non-renounceable entitlement issue and an institutional placement to raise \$10.1 million to facilitate the:

- independence of the Company and its brands via the buy-back of Woolworths' stake in the business;
- removal Woolworths as the guarantor of the Company's debt; and
- material de-leveraging of the balance sheet through the re-payment of debt.

Since 2009, Woolworths Limited (ASX: WOW) has been a major shareholder of Gage Roads, providing production, supply and distribution support to the Company via its private label beer strategy and its access to up to 25 per cent of the total Australian beer market.

This strong operational relationship will continue post the proposed buy back via an ongoing three year supply agreement. The supply agreement with Pinnacle Liquor Group Pty Ltd, a subsidiary of Endeavour Drinks Group (formerly Woolworths Liquor Group) maintains promotional and distribution support for our proprietary craft range, securing our current channel to market and underwriting the Company's current financial performance as we step into new markets. Over time, the supply agreement allows the Company to slowly un-wind the volume of contract production as we aim to replace that volume with growth of our proprietary brands.

The new strategy sees the Company commit to growing its proprietary craft brands and becoming less dependent on the contract brewing of mainstream beers, opening up distribution channels of Gage Roads products to the remaining 75 per cent of the Australian beer market.

The proposed transaction will provide Gage Roads with the ownership structure and financial flexibility, through materially lower debt and increased operational cash flows, to successfully deliver upon its Returning to Craft strategy.

## Financial Results

In FY16 the Company delivered a net profit after tax (“NPAT”) of \$0.61 million, up \$1.4 million in comparison to FY15’s loss of \$0.83 million.

Derived from total carton and keg sales of 11 million litres (1.4 million carton equivalents), similar volumes to FY15, these results validate the Company’s FY16 strategy of targeting increasing profitability via stable volumes, through a shift in our sales mix towards craft beer and other higher margin products, while controlling costs and maintaining a modest continuous improvement program.

On the back of a number of turnaround strategies, executed during the year, the Company re-scaled its cost base to match current sales volumes and focused on expanding the sales of our higher margin Gage Roads proprietary craft range. Improved operational efficiencies, helped deliver approximately \$1.3 million in cost savings and an 83 per cent uplift in sales of Gage Roads proprietary products, delivering improved revenues of \$25.5 million (FY15: \$24.4 million) and gross profit margins to 52 per cent (FY15: 51 per cent).

During FY16, the Company successfully executed a number of internal and outward-facing turnaround strategies, including:

FY16 Strategy	Results
<p><b>Target a sales mix shift toward the growing higher margin craft beer segment</b></p> <ul style="list-style-type: none"> <li>• Increase promotion of the Gage Roads’ proprietary products.</li> <li>• Advance our Western Australian content based event and social media marketing strategy.</li> <li>• Advance our Western Australian on-premise strategy.</li> <li>• Expand our on-premise and marketing strategies to NSW and VIC in summer 2016.</li> <li>• Work with committed partners to refresh, re-position existing brands, introduce of a number of new brand opportunities and line extensions and increase promotional activity.</li> <li>• Target new domestic and international contract and export opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Gage Roads proprietary brands up 83% to 0.35 million carton equivalents.</li> <li>• Gage Roads Proprietary Brands 25% of the production profile, up from 14% in FY15.</li> <li>• Entered the Western Australia independent retail market with strong uptake, increased sales by 134%.</li> <li>• Draught sales up 180% year on year.</li> <li>• Entered NSW &amp; VIC on-premises markets with an expanded East Coast sales team, surging demand for award winning Little Dove fast tracked supply of kegs to these markets.</li> <li>• Exports commence to UAE and Malaysia.</li> <li>• New product development sees award winning Little Dove join the core craft range.</li> <li>• Single Fin, second to market in the new Summer Ale segment of the craft market, becomes our highest growth product.</li> </ul>

<p><b>Target increased overall operating efficiency and reduce operating expenditure</b></p>	<ul style="list-style-type: none"> <li>• Focus on production processes that improve quality.</li> <li>• Utilise the warehouse strategy to improve production scheduling and minimise change overs.</li> <li>• Target process change to reduce waste.</li> <li>• Improve the HSE system.</li> <li>• Improve the QA system.</li> </ul>	<ul style="list-style-type: none"> <li>• Little Dove wins Champion Australian Beer at the AIBA awards, arguably the best quality accolade available in Australia and follows up with gold at the Craft Beer Industry Association Awards and Perth Royal Beer Show Awards.</li> <li>• Improved resourcing and focus on HSE sees the Company achieve its goal of being awarded Silver Certificate in the Worksafe Plan from Worksafe WA.</li> <li>• Recently the Company achieved 2 years Lost Time Injury (LTI) free.</li> <li>• Warehousing strategy and other operational initiatives sees overall equipment efficiency (OEE) improve by 24% in comparison to FY15.</li> <li>• Improvements in OEE and focus on reduction in waste improve variable costs from 42c/L to 34c/L.</li> <li>• Fixed costs down \$0.6 million to \$5.7 million.</li> </ul>
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### Sales

Sales of Gage Roads' proprietary craft beer products, being the most profitable segment of the Company's sales portfolio, were up 83 per cent to 0.35 million carton equivalents.

The success of Gage Roads' draught and on-premise strategy has continued with new tap points secured at key WA and interstate venues, contributing to a 180 per cent increase in draught sales of the Company's proprietary brands over the prior year. Surging demand for our award-winning draught product Little Dove has also led to the Company fast-tracking the supply of kegs to Victoria and New South Wales.

The Company's expanded on-premise distribution builds the Gage Roads brand and establishes an important touch-point for consumers. It is also aligned with the Company's focus on higher-margin products and a continued focus on the improved profitability of the business.

Sales made from the contract brewing division, Australian Quality Beverages (AQB), declined by 13 per cent over the prior year. This is an improved position compared to the previous half-year and quarterly updates. During the last quarter the Company worked with its customers to introduce new brands which softened the full-year decline in volumes.

Total sales volumes across all divisions were 1.4 million carton equivalents (11 million litres) for the year, in line with last year's volumes. In keeping with the Company's five-year plan and contributing to the Company's improved profitability, the growth in the Company's proprietary craft range offset the decline in contract-brewed volumes during the year.

### Gross Profit

Gross profit for the year increased to 52 per cent (from 51 per cent in FY15). This is a result of a change in mix towards higher margin craft products during the financial year. We expect that the gross profit will continue to trend upwards as our five-year strategy continues to deliver increasing volume of our higher margin proprietary craft range. We are targeting a reversal in our production profile over that period from the current 25 per cent proprietary/75 per cent contract to 70 per cent proprietary/30 per cent contract.

### Costs

During the year the Company actively worked on an organisation-wide review targeting reduced operating expenditure. The recent gains we have made with regards to improving our production efficiencies, executing our warehouse strategy, focusing on creating the highest quality products and reducing waste, improving our Health, Safety and Environment (HSE) systems and improving our labour utilisation all bore fruit, as production in FY16 has been delivered in an environment of reduced variable costs generating better earnings on a per carton basis.

This strategy has seen the business reduce operating expenditure by 31 per cent, a saving of \$1.3 million over FY15 to \$2.9 million. Employee expenditure decreased by 6 per cent to \$5.5 million.

Occupancy expenses increased \$0.33 million over FY15 to \$0.85 million as the business doubled its warehousing capacity.

Sales and marketing expenses have also increased by 46 per cent to \$0.92 million to accommodate the renewed focus on the Company's proprietary product portfolio. Increased expenditure was applied to the WA on-premise and marketing strategies, and early ingress into the on premise markets in both NSW and VIC.

#### Cash Flow and Balance Sheet

The Company ended the year with healthy cash reserves of \$3.6 million. Net operating cash inflows were \$2.4 million for the year, driven by the improved EBITDA produced during the year. As a result, the Company's net current asset position has improved to a current ratio of 1.1, excluding the long-term debt (further discussed below).

Investing cash outflows during the year were modest at \$0.4 million and relate primarily to our continuous improvement program and to capital improvements in quality assurance and our HSE functions.

The Company has a \$9.7 million debt facility which is drawn to \$9.6 million. As this debt facility is a bullet termination style facility, and payable on 31 March 2017, the loan is required to be classified as a current liability under AASB 101, and has resulted in an emphasis of matter regarding going concern in the Auditor's report. As recently announced (ASX: 30 August 2016) the Company will re-finance this facility via the impending fully underwritten entitlements issue and placement to institutional investors raising \$10.1 million in equity funds and the refinancing of \$5 million of debt funds with an alternative bank.

The Company has a \$2 million overdraft facility in place which is currently undrawn.

#### **Marketing**

The Company continued to execute its marketing strategy to strengthen the brand in Western Australia and nationally.

The Company's partnerships and events strategy continued to create opportunities for brand awareness and product trial. The Company maintained long term relationships with key partners including the Art Gallery of WA. In addition to its roster of long term partners, the Company executed pouring rights agreements with a number of high profile events including the WA Festival of Cricket, The Beaufort Street Festival, and Surfing WA's Whalebone Classic. The Company maintained its established program of beer-related consumer and trade events such as the IMG Gourmet Escape and Fremantle Beer Festival. In total, the Company estimates its brands reached more than 175,000 opportunities for trial and brand awareness amongst beer drinking consumers as a result of event and partnership activity in Western Australia in FY16.

As outlined at the beginning of the year, the Company began mirroring its brand building strategy in the Sydney and Melbourne markets. Through branded activations at a number of beer (consumer and trade) and food-focused events including the Great Australian Beer Spectacular and the Sydney Craft Beer Week Gala. The Company expects to increase the instance and impact of these activities in FY17.

Digital marketing was the centerpiece of the Company's communications strategy. The Company continued to develop meaningful content for its social media channels, with reach peaking at 325,000 people in March. During the year the number of engaged users across Facebook and Instagram was driven higher, increasing by 100% and 75% respectively. The Company will continue to invest heavily in direct engagement with consumers across its digital and social media platforms in FY17, while increasing spend in traditional channels.

The Company continued to build on its recent new product development (NPD) success with an additional six limited quantity products released in draught and packaged formats throughout the year. Ongoing NPD provided incremental sales volume increases, secured additional on-premise distribution, and regenerated consumer interest in the brand throughout the year. The program's most successful project was Little Dove New World Pale Ale. Little Dove was awarded Champion Australian Beer at the Australian International Beer Awards in May 2016 and has since gone on to be a critical and commercial success in draught format. The Company will release Little Dove in packaged format early in FY17 and is excited by the prospect of another high growth product in its portfolio.

## Outlook FY17

The improved profitability in FY16 over similar production volumes as last year validates the Company's new five-year strategy "Returning to Craft". The Company is confident that the improving fortunes, as evidenced during the last year, are lead indicators of the outlook for FY17. The business is in a better position to deliver near-term earnings growth than was previously the case.

### Key outlook highlights:

1. \$10.1 million capital raising and re-financing of \$5 million debt will provide a secure footing and financial base from which to execute the Company's new five-year strategy.
2. Although Woolworths will not remain as an equity holder in Gage Roads following the proposed share buy back transaction, the Company's operational relationship with the Endeavour Drinks Group and its subsidiary Pinnacle Liquor Group will continue to support the strong sales and growth of the Gage Roads craft range through the current channel to market.
3. The business, through its products, marketing strategies and retail partners, is well placed to take advantage of the continuing growth of the domestic craft beer market.
4. Top line revenue, margin and profit growth will be underpinned by a continued swing to higher margin Gage Roads' proprietary brands.
5. As one of Australia's largest craft brands, our new independence is expected to support our roll-out into the independent retail and on-premise channels to market.
6. Under the leadership of Scott Player, the Company will continue its transition from a previously capacity and production focused culture, to a consumer facing, brand building sales and marketing focused culture.
7. The sales and marketing strategy will gather pace, firstly delivering an independent route to market, and then incremental expansion of sales and marketing team resources to all states of Australia over the coming year.
8. The decline in Australian Quality Beverage's contract volumes is expected to be arrested in FY17 as major customers have worked to refresh and reposition existing brands, introduce a number of new brands and line extensions, combined with increased promotional activity to drive volume.

Managing Director John Hoedemaker said:

"I am extremely proud of the team for collaboratively designing and launching our New World Pale Ale, Little Dove. On its first outing, to win trophy for Champion Australian Beer at the Australian International Beer Awards is one of the highest brewing accolades available in the country. It is as an amazing confirmation of the high standards to which we hold ourselves.

"Not only did Little Dove shine, but the team also achieved a number of impressive gold, silver and bronze awards for almost all of our craft range brands including Single Fin, Atomic and our Sleeping Giant IPA.

"It's great to see Gage Roads delivering arguably the best and highest quality craft beer range in the country and also continuing with our ethos of providing that high level of quality at a consumer price that will drive increasing volumes in the future."



John Hoedemaker  
**Managing Director**

Gage Roads Brewing Co Limited  
Tel: (08) 9314 0000

Further detailed commentary on the results for the year ended 30 June 2016 is provided in the Chairman's Letter, Review of Operations and Directors' Report sections of the attached 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.

Signed:

  
Company Secretary

Date: 30 August 2016

Name:

Marcel Brandenburg



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**GAGE ROADS BREWING CO LIMITED  
ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**ABN 22 103 014 320**

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**Gage Roads Brewing Co Limited**  
**Annual Report**  
**For the Year Ended 30 June 2016**

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## **Corporate Directory**

### **Directors**

Brad Banducci (Alternate to Chris Baddock)  
Chris Baddock  
Ian Olson (Chairman)  
John Hoedemaker  
Robert Gould

### **Managing Director**

John Hoedemaker

### **Company Secretary**

Marcel Brandenburg

### **Principal Place of Business & Registered Office**

14 Absolon Street  
PALMYRA WA 6157  
Tel: (08) 9314 0000  
Fax: (08) 9331 2400

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

### **Postal Address**

PO Box 2024  
PALMYRA WA 6961

### **Auditor**

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

### **Legal Adviser**

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read 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**

Automic Registry Services  
PO Box 223  
WEST PERTH WA 6872

### *Registry Enquiries*

Within Australia: 1300 288 664  
Outside Australia: (+61 8) 9324 2099

**Gage Roads Brewing Co Limited  
Financial Report  
For the Year Ended 30 June 2016**

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**Gage Roads Brewing Co Limited  
Chairman's Letter  
For the Year Ended 30 June 2016**

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Dear Shareholder,

Your board is pleased to report on a successful FY16, which was characterised by improvements across all key metrics in the business and resulted in an after tax profit of \$0.61 million.

This much improved result was driven by substantial (83 per cent) year on year growth in our proprietary brands and was accompanied by material cost reductions and improved operating efficiency metrics across the business.

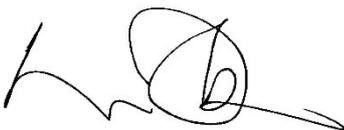
Growth in sales of Gage Roads' proprietary brands was driven with support from our key retail channel partner Woolworths and has been supported by fantastic on-premise execution and the opening up of new retail channels to market.

Gage Roads achieved ongoing success at industry awards, culminating in our Little Dove being awarded trophies as Champion Australian Beer and Best New World Style Pale Ale at the Australian International Beer Awards this year.

Today, we have also announced a key milestone in the history of your company. The proposed transaction will see Gage Roads raise \$10.1 million, buy-back and cancel Woolworths' 25 per cent shareholding, remove the bank debt guarantee currently provided by Woolworths and materially de-leverage the balance sheet by applying a significant proportion of net funds raised to debt reduction.

The proposed transaction allows all Shareholders to participate in providing the necessary platform for the team at Gage Roads to deliver successfully on the five-year 'Returning to Craft' strategy announced earlier this year and become a truly independent national craft brewer.

Your board is excited about the opportunity to leverage the recent financial, operational and market successes into continued growth and earnings. We thank you for your ongoing support and look forward to an even better FY17.



Ian Olson

**Chairman**

**Gage Roads Brewing Co Limited**  
**Review of Operations**  
**For the Year Ended 30 June 2016**

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## **Review of Operations**

### **Full Year FY16 Results**

- Total sales volume 1.4 million carton equivalents\* (steady on prior year comparative period).
- Revenue \$25.5 million (up 5% on prior year comparative period).
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A key pillar of the Company's strategy is building a greater awareness of our brands, through the expansion of our national sales and marketing team. The Company has a coordinated plan to open up opportunities for consumers to trial our products and engage with the Gage Roads brand values and ethos, through hotels, pubs and retail outlets nationally.

Recently appointed Sales and Marketing Manager, Scott Player, has championed the new sales and marketing plan and provides the Company with strong leadership and experience in sales and marketing as we continue to focus more of our efforts and resources in that direction. Scott has almost 20 years' experience in sales and marketing of craft beer and has been instrumental in growing the national distribution and sales of a number of the most recognised craft brands in Australia.

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**Gage Roads Brewing Co Limited  
Review of Operations  
For the Year Ended 30 June 2016**

The new strategy sees the Company commit to growing its proprietary craft brands and becoming less dependent on the contract brewing of mainstream beers, opening up distribution channels of Gage Roads products to the remaining 75 per cent of the Australian beer market.

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**Financial Results**

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**Gage Roads Brewing Co Limited  
Review of Operations  
For the Year Ended 30 June 2016**

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**Sales**

Sales of Gage Roads' proprietary craft beer products, being the most profitable segment of the Company's sales portfolio, were up 83 per cent to 0.35 million carton equivalents.

The success of Gage Roads' draught and on-premise strategy has continued with new tap points secured at key WA and interstate venues, contributing to a 180 per cent increase in draught sales of the Company's proprietary brands over the prior year. Surging demand for our award-winning draught product Little Dove has also led to the Company fast-tracking the supply of kegs to Victoria and New South Wales.

The Company's expanded on-premise distribution builds the Gage Roads brand and establishes an important touch-point for consumers. It is also aligned with the Company's focus on higher-margin products and a continued focus on the improved profitability of the business.

Sales made from the contract brewing division, Australian Quality Beverages (AQB), declined by 13 per cent over the prior year. This is an improved position compared to the previous half-year and quarterly updates. During the last quarter the Company worked with its customers to introduce new brands which softened the full-year decline in volumes.

Total sales volumes across all divisions were 1.4 million carton equivalents (11 million litres) for the year, in line with last year's volumes. In keeping with the Company's five-year plan and contributing to the Company's improved profitability, the growth in the Company's proprietary craft range offset the decline in contract-brewed volumes during the year.

**Gross Profit**

Gross profit for the year increased to 52 per cent (from 51 per cent in FY15). This is a result of a change in mix towards higher margin craft products during the financial year. We expect that the gross profit will continue to trend upwards as our five-year strategy continues to deliver increasing volume of our higher margin proprietary craft range. We are targeting a reversal in our production profile over that period from the current 25 per cent proprietary/75 per cent contract to 70 per cent proprietary/30 per cent contract, which is expected to result in a improved blended gross profit margin for the business.

**Costs**

During the year the Company actively worked on an organisation-wide review targeting reduced operating expenditure. The recent gains we have made with regards to improving our production efficiencies, executing our warehouse strategy, focusing on creating the highest quality products and reducing waste, improving our Health, Safety and Environment (HSE) systems and improving our labour utilisation all bore fruit, as production in FY16 has been delivered in an environment of reduced variable costs generating better earnings on a per carton basis.

**Gage Roads Brewing Co Limited**  
**Review of Operations**  
**For the Year Ended 30 June 2016**

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This strategy has seen the business reduce operating expenditure by 31 per cent, a saving of \$1.3 million over FY15 to \$2.9 million. Employee expenditure decreased by 6 per cent to \$5.5 million.

Occupancy expenses increased \$0.33 million over FY15 to \$0.85 million as the business doubled its warehousing capacity.

Sales and marketing expenses have also increased by 46 per cent to \$0.92 million to accommodate the renewed focus on the Company's proprietary product portfolio. Increased expenditure was applied to the WA on-premise and marketing strategies, and early ingress into the on premise markets in both NSW and VIC.

**Cash Flow and Balance Sheet**

The Company ended the year with healthy cash reserves of \$3.6 million. Net operating cash inflows were \$2.4 million for the year, driven by the improved EBITDA produced during the year. As a result, the Company's net current asset position has improved to a current ratio of 1.1, excluding the long-term debt (further discussed below).

Investing cash outflows during the year were modest at \$0.4 million and relate primarily to our continuous improvement program and to capital improvements in quality assurance and our HSE functions.

The Company has a \$9.7 million debt facility which is drawn to \$9.6 million. As this debt facility is a bullet termination style facility, and payable on 31 March 2017, the loan is required to be classified as a current liability under AASB 101, and has resulted in an emphasis of matter regarding going concern in the Auditor's report. As recently announced (ASX: 30 August 2016) the Company will re-finance this facility via the impending fully underwritten entitlements issue and placement to institutional investors raising \$10.1 million in equity funds and the refinancing of \$5 million of debt funds with an alternative bank.

The Company has a \$2 million overdraft facility in place which is currently undrawn.

**Marketing**

The Company continued to execute its marketing strategy to strengthen the brand in Western Australia and nationally.

The Company's partnerships and events strategy continued to create opportunities for brand awareness and product trial. The Company maintained long term relationships with key partners including the Art Gallery of WA. In addition to its roster of long term partners, the Company executed pouring rights agreements with a number of high profile events including the WA Festival of Cricket, The Beaufort Street Festival, and Surfing WA's Whalebone Classic. The Company maintained its established program of beer-related consumer and trade events such as the IMG Gourmet Escape and Fremantle Beer Festival. In total, the Company estimates its brands reached more than 175,000 opportunities for trial and brand awareness amongst beer drinking consumers as a result of event and partnership activity in Western Australia in FY16.

As outlined at the beginning of the year, the Company began mirroring its brand building strategy in the Sydney and Melbourne markets. Through branded activations at a number of beer (consumer and trade) and food-focused events including the Great Australian Beer Spectacular and the Sydney Craft Beer Week Gala. The Company expects to increase the instance and impact of these activities in FY17.

Digital marketing was the centerpiece of the Company's communications strategy. The Company continued to develop meaningful content for its social media channels, with reach peaking at 325,000 people in March. During the year the number of engaged users across Facebook and Instagram was driven higher, increasing by 100% and 75% respectively. The Company will continue to invest heavily in direct engagement with consumers across its digital and social media platforms in FY17, while increasing spend in traditional channels.

The Company continued to build on its recent new product development (NPD) success with an additional six limited quantity products released in draught and packaged formats throughout the year. Ongoing NPD provided incremental sales volume increases, secured additional on-premise distribution, and regenerated consumer interest in the brand throughout the year. The program's most successful project was Little Dove New World Pale Ale. Little Dove was awarded Champion Australian Beer at the Australian International Beer Awards in May 2016 and has since gone on to be a critical and commercial success in draught format. The Company will release Little Dove in packaged format early in FY17 and is excited by the prospect of another high growth product in its portfolio.

**Gage Roads Brewing Co Limited**  
**Review of Operations**  
**For the Year Ended 30 June 2016**

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**Outlook FY17**

The improved profitability in FY16 over similar production volumes as last year validates the Company's new five-year strategy "Returning to Craft". The Company is confident that the improving fortunes, as evidenced during the last year, are lead indicators of the outlook for FY17. The business is in a better position to deliver near-term earnings growth than was previously the case.

Key outlook highlights:

1. \$10.1 million capital raising and re-financing of \$5 million debt will provide a secure footing and financial base from which to execute the Company's new five-year strategy.
2. Although Woolworths will not remain as an equity holder in Gage Roads following the proposed share buy back transaction, the Company's operational relationship with the Endeavour Drinks Group and its subsidiary Pinnacle Liquor Group will continue to support the strong sales and growth of the Gage Roads craft range through the current channel to market.
3. The business, through its products, marketing strategies and retail partners, is well placed to take advantage of the continuing growth of the domestic craft beer market.
4. Top line revenue, margin and profit growth will be underpinned by a continued swing to higher margin Gage Roads' proprietary brands.
5. As one of Australia's largest craft brands, our new independence is expected to support our roll-out into the independent retail and on-premise channels to market.
6. Under the leadership of Scott Player, the Company will continue its transition from a previously capacity and production focused culture, to a consumer facing, brand building sales and marketing focused culture.
7. The sales and marketing strategy will gather pace, firstly delivering an independent route to market, and then incremental expansion of sales and marketing team resources to all states of Australia over the coming year.
8. The decline in Australian Quality Beverage's contract volumes is expected to be arrested in FY17 as major customers have worked to refresh and reposition existing brands, introduce a number of new brands and line extensions, combined with increased promotional activity to drive volume.

Managing Director John Hoedemaker said:

"I am extremely proud of the team for collaboratively designing and launching our New World Pale Ale, Little Dove. On its first outing, to win trophy for Champion Australian Beer at the Australian International Beer Awards is one of the highest brewing accolades available in the country. It is as an amazing confirmation of the high standards to which we hold ourselves.

"Not only did Little Dove shine, but the team also achieved a number of impressive gold, silver and bronze awards for almost all of our craft range brands including Single Fin, Atomic and our Sleeping Giant IPA.

"It's great to see Gage Roads delivering arguably the best and highest quality craft beer range in the country and also continuing with our ethos of providing that high level of quality at a consumer price that will drive increasing volumes in the future."



John Hoedemaker  
**Managing Director**

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2016**

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**Directors' Report**

Your Directors present their report on Gage Roads Brewing Co Limited (the Company) for the year ended 30 June 2016.

**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.

Brad Banducci	(Alternate Director to Chris Baddock – Resigned 11 April 2016)
Chris Baddock	
Ian Olson	(Chairman)
John Hoedemaker	(Managing Director)
Robert Gould	

**Company Secretary**

Marcel Brandenburg

**Principal activities**

During the year the principal continuing activities of the Company were the brewing, packaging, marketing and selling of craft brewed beer, cider and other 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 of the Company for the financial year after providing for income tax amounted to \$612,353 (2015: \$(826,822)).

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) **Revenue and Volume**– This year saw an improvement in Revenue for FY16 of \$25.5 million, an increase of 5% in comparison with the corresponding full year period (2015: \$24.4 million), whilst sales volumes remained unchanged. This result was primarily driven by an 83% increase in sales of higher-margin Gage Roads proprietary products. Contract-brewed products declined by 13% over FY15.
- (b) **Operating expenditure reduction** – During the year, the Company reduced its operating costs by 31.3%, contributing to an overall 174% increase in profitability.

**Gage Roads Brewing Co Limited**  
**Directors' Report**  
**For the Year Ended 30 June 2016**

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**Matters subsequent to the end of the financial year**

As announced on 30 August 2016, the Company has executed an underwriting agreement with Argonaut Capital Limited to raise \$8.5m through an entitlement issue and an additional \$1.6m through a placement to institutional investors.

The Company has further announced the execution of a binding term sheet with Woolworths Limited in relation to a share buy-back subject to a successful capital raising. The Company (subject to shareholder approval) plans to selectively buy-back the 100,016,305 shares that Woolworths owns in the Company at a price of \$0.015 per share.

The Company has also announced a restructure of its \$9.7m debt facility. \$4.7m of debt will be permanently retired using the proceeds of the capital raising as outlined above, with the remaining \$5m expected to be re-financed with the Commonwealth Bank of Australia, subject to a minimum \$4.7m capital raising and finalisation of documentation.

**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.

**Information on Directors**

**Brad Banducci** BCom, LLB, MBA

*(Alternate Non-Executive Director to Chris Baddock, appointed 26 July 2012, resigned 11 April 2016)*

*Experience and expertise* - Brad Banducci was formally CEO of the Cellarmasters Group and joined Woolworths following the acquisition of that business in May 2011. Brad has a distinguished business background in Australia and internationally, including 15 years with The Boston Consulting Group where he was a Vice President and Director. He has extensive experience in the beverage and fast moving consumer goods industry. Brad was appointed to Managing Director of the Woolworths Food Group in February 2015.

*Other current public directorships – Woolworths Limited.*

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

*Special responsibilities - None.*

*Interests (direct and indirect) in shares and options - Nil shares and nil options in the Company.*

**Chris Baddock** AICD

*(Non-Executive Director, appointed 20 February 2015)*

*Experience and expertise* - Chris was appointed General Manager of Pinnacle Drinks in February 2015. Pinnacle Drinks is a wholly owned subsidiary of Woolworths Liquor Group and supply Beer, Spirits and Wine to BWS, Dan Murphy's, Cellarmasters, Progressive NZ and Summergate China through owned manufacturing facilities, owned brands and exclusive brands.

Prior to joining Woolworths Chris spent 11 years with Lion Australia in a number of senior management roles including Managing Director of Fine Wine Partners (3 years) and National Customer Director of Lion Australia (4 years). Chris has a long history of building partnerships with key customers across the liquor and grocery categories. He is a member of the Australian Institute of Company Directors and is a graduate of the Australian Graduate School of Management

*Other current public directorships – None.*

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

*Special responsibilities - None.*

*Interests (direct and indirect) in shares and options - Nil shares and nil options in the Company.*

**Gage Roads Brewing Co Limited**  
**Directors' Report**  
**For the Year Ended 30 June 2016**

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**Ian Olson** CA, BCom, MAICD

*(Non-Executive Chairman, 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. Mr Olson is a professional public company director with a 25-year career in finance and the capital markets. Ian is also the Managing Director of Pointerra Limited, a Non-Executive Director of Threat Protect Australia and former executive chairman of WKC Spatial. Prior to his involvement in WKC Spatial, Ian was Managing Partner of PKF Chartered Accountants in Western Australia.

*Other current public directorships* – *Threat Protect Ltd, Pointerra Ltd.*

*Former directorships in listed companies in last 3 years* – *RuralAus Investments Limited, Diploma Group Limited, Range Resources Limited.*

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

*Interests (direct and indirect) in shares and options* - *332,500 shares and nil options in the Company.*

**John Hoedemaker** BCom

*(Managing Director, appointed 17 August 2011, Chief Financial Officer, appointed 3 December 2002, resigned as Chief Financial Officer 30 June 2014)*

*Experience and expertise* - John is a founding Shareholder and Director of Gage Roads. He has played a key role in achieving profitability by developing and implementing the growth and cost reduction strategies for the business. John has an acute understanding of both the Company's operational needs and financial requirements. John is responsible for the strategic planning, leadership and management of the operations of the Company. Prior to his involvement with Gage Roads, John was a Shareholder, 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 a multi-national conglomerate.

*Other current public directorships* - *None.*

*Former public directorships in last 3 years* - *None.*

*Special responsibilities* - *Member of the Audit Committee.*

*Interest (direct and indirect) in shares and options* – *6,404,669 shares and nil options in the Company.*

**Robert Gould** FAICD

*(Non-Executive, appointed 12 November 2007)*

*Experience and expertise* - Robert Gould 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 previous management of a venture capital fund with \$113 million under management. Robert was a seed capital investor in Gage Roads and is currently a Director and Shareholder of Javelin Partners Pty Ltd, a private equity advisory business.

*Other current public directorships* - *None.*

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

*Special responsibilities* - *Chairman of the Audit Committee and member of the Remuneration Committee.*

*Interests (direct and indirect) in shares and options* – *50,000 shares and nil options in the Company.*

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2016**

**Information on Company Secretary**

**Marcel Brandenburg** CA, AGIA, ACIS, MAcc, BCom  
(Company Secretary, appointed to Chief Financial Officer on 30 June 2014)

Experience and expertise - Marcel has been with the Company since October 2011 in the capacity of Financial Controller and is responsible for the areas of financial accounting, governance and administration aspects of the business. He was appointed Chief Financial Officer on 30 June 2014.

He has extensive experience in dealing with ASX-listed companies, having spent a significant part of his career auditing publicly listed entities. As a Chartered Accountant and Chartered Company Secretary, he has an excellent understanding of financial markets, market compliance and regulations. Marcel has also previously held company secretarial roles in a number of unlisted companies.

*Other current public directorships - None.*

*Former public directorships in last 3 years - None.*

*Special responsibilities – Chief Financial Officer.*

*Interest (direct and indirect) in shares and options – 4,300,000 shares and nil options in the Company.*

**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 2016, and the number of meetings attended by each Director, were as follows:

Directors	Full Meeting of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
	A	B	A	B	A	B
Brad Banducci (Alternate Non-Executive)	0	0	n/a	n/a	n/a	n/a
Chris Baddock (Non-Executive)	9	9	n/a	n/a	n/a	n/a
Ian Olson (Non-Executive)	9	9	2	2	0	0
Robert Gould (Non-Executive)	8	5	2	2	0	0
John Hoedemaker (Executive)	9	9	2	2	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.*

**Total shares under options**

There were no unissued ordinary shares under option at the date of this report (2015: Nil).

**Shares issued on the exercise of options**

There were no shares issued on the exercise of options during the year ended 30 June 2016 (2015: Nil).

**Options granted to Directors**

No options over unissued ordinary shares were granted to Directors during the year ended 30 June 2016 (2015: Nil).

**Options granted to Key Management Executives and other employees**

No options over unissued ordinary shares were granted to Key Management Executives or other employees during the year ended 30 June 2016 (2015: Nil).

**Options cancelled, forfeited or lapsed**

No options were voluntarily forfeited or cancelled during the year ended 30 June 2016 (2015: Nil).

**Shares issued to Directors**

No shares were issued to Directors during the year ended 30 June 2016 (2015: Nil).

**Shares issued to Employees**

31,000,000 shares were issued to employees during the year ended 30 June 2016 (2015: Nil).

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2016**

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**Audited Remuneration Report**

The information provided in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

***Principles used to determine the nature and amount of remuneration***

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;
- (b) individual reward should be linked to performance criteria if appropriate;
- (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 \$400,000. Directors are entitled to have premiums paid for Directors' & Officers' insurance.

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

- (a) *salary* - the Key Management Personnel and Executive Directors receive a fixed sum payable monthly in cash;
- (b) *cash at risk component* - Key Management Personnel and Executive Directors are eligible to participate in a cash bonus plan if deemed appropriate;
- (c) *share and option at risk component* - Key Management Personnel 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 Personnel and Executive Directors are eligible to participate in superannuation schemes, may 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.

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. Equity instruments issued may be 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.

An Employee and Executive Share Plan provides some senior executives with incentive over and above their base salary. The allocation of shares under the Employee and Executive Share Plan may not be subject to performance conditions of the Company. The reasons for establishing the Employee and Executive Share Plan were:

- (a) To align the interests of senior management with Shareholders. The Employee and Executive Share Plan provides employees with incentive to strive for long term profitability which is in line with Shareholder objectives; and
- (b) To provide an incentive for employees to extend their employment terms with the Company. The experience of senior employees is an important factor in the long term success of the Company.

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2016**

**Details of remuneration**

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 Directors*

John Hoedemaker                      Managing Director

*Non-Executive Directors*

Brad Banducci                      Alternate to Chris Baddock, resigned 11 April 2016  
Chris Baddock  
Ian Olson                              Chairman  
Robert Gould

*Executive Officers*

Aaron Heary                          Chief Operating Officer  
Marcel Brandenburg              Chief Financial Officer and Company Secretary

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.

**2016 Remuneration - Key Management Personnel**

Name	Short term benefits			Post employment benefits	Share based benefits	Total
	Cash salary & fees	Cash bonus	Non-monetary Benefits	Super-annuation	Shares	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Brad Banducci	-	-	583	-	-	583
Chris Baddock	-	-	583	-	-	583
Ian Olson	120,000	-	583	-	-	120,583
Robert Gould	71,747	-	583	3,253	-	75,583
<i>Sub-total Non-Exec Directors</i>	<i>191,747</i>	<i>-</i>	<i>2,332</i>	<i>3,253</i>	<i>-</i>	<i>197,332</i>
<i>Executive Key Management</i>						
Aaron Heary	290,000	-	5,169	27,550	-	322,719
John Hoedemaker (MD)	390,000	-	12,677	37,050	-	439,727
Marcel Brandenburg	160,000	20,000	3,228	16,988	29,684	229,900
<i>Sub-total Executive</i>	<i>840,000</i>	<i>20,000</i>	<i>21,074</i>	<i>81,588</i>	<i>29,684</i>	<i>992,346</i>
<b>Totals</b>	<b>1,031,747</b>	<b>20,000</b>	<b>23,406</b>	<b>84,841</b>	<b>29,684</b>	<b>1,189,678</b>

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2016**

**2015 Remuneration - Key Management Personnel**

Name	Short term benefits			Post-employment benefits	Share based benefits	Total
	Cash salary & fees	Cash bonus	Non-monetary Benefits	Super-annuation	Shares	
	\$	\$	\$	\$	\$	
<i>Non-Executive Directors</i>						
Brad Banducci	-	-	1,023	-	-	1,023
Ian Olson	120,000	-	1,023	-	-	121,023
Robert Gould	75,000	-	1,023	-	-	76,023
<i>Sub-total Non-Exec Directors</i>	<i>195,000</i>	<i>-</i>	<i>3,069</i>	<i>-</i>	<i>-</i>	<i>198,069</i>
<i>Executive Key Management</i>						
Aaron Heary <sup>^</sup>	400,000	-	5,919	38,000	-	443,919
John Hoedemaker (MD) <sup>^</sup>	500,000	-	6,808	47,500	-	554,308
Marcel Brandenburg	160,000	15,000	2,894	16,625	1,550	196,069
<i>Sub-total Executive</i>	<i>1,060,000</i>	<i>15,000</i>	<i>15,621</i>	<i>102,125</i>	<i>1,550</i>	<i>1,194,296</i>
<b>Totals</b>	<b>1,255,000</b>	<b>15,000</b>	<b>18,690</b>	<b>102,125</b>	<b>1,550</b>	<b>1,392,365</b>

<sup>^</sup>The Remuneration Committee awarded \$110,000 each to Mr Aaron Heary and Mr John Hoedemaker in the current financial period in lieu of not having adjusted their remuneration in FY12, FY13 and FY14. This was a one-off compensation and was fully absorbed in FY15.

**Service agreements**

Remuneration and other terms of employment for the following Key Management Personnel are formalised in employment agreements. The significant terms of employment at the date of this report are set out below:

*Aaron Heary – Chief Operating Officer*

- Term of agreement: No fixed term
- Base salary: \$290,000 pa, plus 9.5% statutory superannuation contribution, reviewed annually by the Remuneration Committee
- Termination notice period: 8 month notice (without cause)
- Termination notice period: 4 month notice (with cause)

*John Hoedemaker – Managing Director*

- Term of agreement: No fixed term
- Base salary: \$390,000 pa, plus 9.5% statutory superannuation contribution, reviewed annually by the Remuneration Committee
- Termination notice period: 8 month notice (without cause)
- Termination notice period: 4 month notice (with cause)

*Marcel Brandenburg – Chief Financial Officer and Company Secretary*

- Term of agreement: No fixed term
- Base salary: \$160,000 pa, plus 9.5% statutory superannuation contribution, reviewed annually by the Remuneration Committee
- Bonus: \$20,000 per annum, payable in equal quarterly instalments of \$5,000 subject to satisfactory conformance to key performance indicators
- Termination notice period: 8 month notice (without cause)
- Termination notice period: 4 month notice (with cause)

No Director or Executive is entitled to any termination payments apart from payment in lieu of the notice periods outlined above, remuneration payable up to and including the date of termination and payments due by way of accrued leave entitlements. There are no service agreements in respect of non-executive directors.

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2016**

**Equity instruments held by Key Management Personnel**

*Shares issued to key management personnel*

The following tables show the number of ordinary shares in the Company that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

There were no options over unissued ordinary shares granted to Key Management Personnel in existence at the date of this report (2015: Nil). Details of the options forfeited and cancelled by Key Management Personnel during the year can be found at Note 17 to the Financial Statements.

(i) *Ordinary shares in the Company*

	Nominally Held+	Balance at start of the year	Net Purchase (Disposal) of shares	Employee Share Plan Shares Received	Balance at end of the year
<b>2016</b>					
<b>Directors</b>					
Brad Banducci	0%	-	-	-	-
Chris Baddock	0%	-	-	-	-
Ian Olson	25%	332,500	-	-	332,500
John Hoedemaker	6%	6,404,669	-	-	6,404,669
Robert Gould	0%	50,000	-	-	50,000
<b>Executive Key Management</b>					
Marcel Brandenburg	100%	300,000	-	4,000,000	4,300,000
Aaron Heary	100%	3,001,604	-	-	3,001,604
		10,088,773	-	4,000,000	14,088,773

On 2 October 2015, 4,000,000 shares were issued to Marcel Brandenburg at an issue price of 6.3 cents per share and corresponding non-recourse loans totalling \$252,000 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. This issue was approved by the Shareholders of the Company at an Annual General Meeting held on 29 September 2011 (2015: Nil).

*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 (2015: Nil).

All shares were valued using the Black Scholes pricing model, converted 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 18 to the Financial Statements.

A cash bonus of \$20,000 was paid to Marcel Brandenburg during the year ended 30 June 2016 having regard for past and potential contribution to the Company. No other cash bonuses were paid to or forfeited by any Directors or Key Management Personnel during the year ended 30 June 2016 (2015: \$15,000).

**Loan instruments to Key Management Personnel**

The following tables show the non-recourse loan balances provided to Key Management Personnel that are linked to shares issued as part of its Employee and Executive Share Plan.

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2016**

30-Jun-15	Balance at the start of the year	Loans provided during the year	paid back by the Employee	Interest paid and payable for the year	Interest not charged	Balance at the end of the year
Aaron Heary	194,407	-	-	-	-	194,407
John Hoedemaker	372,000	-	-	-	-	372,000
Marcel Brandenburg	18,600	-	-	-	-	18,600
<b>Total</b>	<b>585,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>585,007</b>

30-Jun-16	Balance at the start of the year	Loans provided during the year	paid back by the Employee	Interest paid and payable for the year	Interest not charged	Balance at the end of the year
Aaron Heary	194,407	-	-	-	-	194,407
John Hoedemaker	372,000	-	-	-	-	372,000
Marcel Brandenburg	18,600	252,000	-	-	-	270,600
<b>Total</b>	<b>585,007</b>	<b>252,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>837,007</b>

***Use of remuneration consultants***

The Company did not engage in remuneration consultants during the financial year ended 30 June 2016.

***Voting and comments made at the Company's 2015 Annual General Meeting***

Gage Roads Brewing Co Ltd received more than 95.2% of "Yes" votes on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2016**

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**Loans to Directors and Executives**

The Company has not made any loans to Directors or Executives during the financial year to 30 June 2016. It has carried forward non-recourse loans from prior years as disclosed in Note 18 (b).

**Environmental regulation**

The Directors have not been notified and are not aware of any breach of any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2015 to 30 June 2016 the Directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

**Insurance of officers**

During the financial year the Company paid a premium of \$4,081 to insure the Directors and Officers 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.

**Auditor**

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

**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 20.

**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 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:

*Assurance services*

BDO Audit (WA) Pty Ltd: Audit and review of financial reports and other audit work under the *Corporations Act 2001* \$51,697 (2015: \$50,661).

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2016**

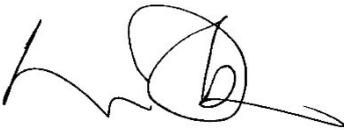
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*Non-audit services*

BDO Corporate Finance (WA) Pty Ltd: Services in relation to Independent Experts report \$10,200 (2015: Nil).

The Board of Directors, in conjunction with the Audit Committee, has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, and did not compromise these auditor's independence requirements because they did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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



Ian Olson  
**Chairman**

Palmyra

Dated this 30<sup>th</sup> day of August 2016

**Gage Roads Brewing Co Limited  
Corporate Governance Statement  
For the Year Ended 30 June 2016**

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**Corporate Governance Statement**

The Board is committed to achieving and demonstrating high standards of corporate governance. As such Gage Roads Brewing Co Ltd has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council and became effective for financial years beginning on or after 1 July 2014.

The Company's Corporate Governance Statement for the financial year ending 30 June 2016 was approved by the Board on 25 August 2016. The Corporate Governance Statement can be located on the Company's website: [www.gageroads.com.au/investor-info](http://www.gageroads.com.au/investor-info)

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF GAGE ROADS BREWING CO LIMITED

As lead auditor of Gage Roads Brewing Co Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 30 August 2016

**Gage Roads Brewing Co Limited**  
**Directors' Declaration**  
**As at 30 June 2016**

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The Directors of the Company declare that:

- (a) the financial statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements, and;
  - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial 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.
- (c) the Company has included in the notes to the financial statements an explicit and unreserved Statement of Compliance with International Financial Reporting Standards.
- (d) the Directors have been given the declarations by the Managing Director 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 Board of Directors and is signed for and on behalf of the directors by:



**Chairman**

Palmyra

Dated this 30<sup>th</sup> day of August 2016

**Gage Roads Brewing Co Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Revenue from continuing operations</b>			
Sales revenue		<b>25,502,310</b>	24,395,423
Interest revenue		<b>266</b>	5,782
	3	<b>25,502,576</b>	24,401,205
Other income		<b>234,983</b>	157,154
Foreign Exchange Gain/ (Loss)		<b>(90,536)</b>	46,509
Raw materials, consumables & delivery		<b>(12,290,661)</b>	(12,021,626)
Operating expenses	4	<b>(2,869,150)</b>	(4,174,569)
Employee benefit expenses		<b>(5,528,710)</b>	(5,903,931)
Depreciation and amortisation expenses	4	<b>(1,149,816)</b>	(1,266,202)
Impairment Charges		-	(170,654)
Sales and marketing expenses		<b>(917,778)</b>	(626,598)
Administration expenses		<b>(486,092)</b>	(576,105)
Occupancy expenses		<b>(850,188)</b>	(524,437)
Finance costs	4	<b>(576,745)</b>	(514,449)
<b>Profit/ (loss) before income tax</b>		<b>977,883</b>	(1,173,703)
Income tax benefit/ (expense)	5	<b>(365,530)</b>	346,882
<b>Profit/ (loss) for the year after Income tax</b>		<b>612,353</b>	(826,822)
<b>Total comprehensive Profit/ (loss) for the year</b>		<b>612,353</b>	(826,822)
<b>Profit/ (loss) and other comprehensive income attributable to the members of Gage Roads Brewing Co Ltd</b>		<b>612,353</b>	(826,822)
<b>Profit/ (loss) per share for Profit/ (loss) attributable to the ordinary equity holders of the company:</b>			
Basic Profit/ (loss) per share (cents)	16	<b>0.15</b>	(0.21)
Diluted Profit/ (loss) per share (cents)		<b>0.15</b>	(0.21)

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Limited**  
**Statement of Financial Position**  
**As at 30 June 2016**

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	3,559,236	1,617,075
Trade and other receivables	7	2,986,294	2,132,905
Inventories	8	1,752,152	2,162,652
<b>Total current assets</b>		<b>8,297,682</b>	<b>5,912,632</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	22,666,677	23,335,740
Deferred tax assets	5	2,874,095	3,239,625
Intangible assets	10	12,188	48,405
<b>Total non-current assets</b>		<b>25,552,960</b>	<b>26,623,770</b>
<b>Total assets</b>		<b>33,850,642</b>	<b>32,536,402</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	7,195,989	6,720,160
Borrowings	11	9,685,319	9,723,170
<b>Total current liabilities</b>		<b>16,881,308</b>	<b>16,443,330</b>
<b>Non-current liabilities</b>			
Provisions	12	231,400	197,600
<b>Total non-current liabilities</b>		<b>231,400</b>	<b>197,600</b>
<b>Total liabilities</b>		<b>17,112,708</b>	<b>16,640,930</b>
<b>Net assets</b>		<b>16,737,934</b>	<b>15,895,471</b>
<b>EQUITY</b>			
Contributed equity	13	26,012,998	26,012,998
Share options reserve	14	1,254,297	1,024,187
Accumulated losses	14	(10,529,361)	(11,141,714)
<b>Total equity</b>		<b>16,737,934</b>	<b>15,895,471</b>

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

**Gage Roads Brewing Co Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2016**

	Notes	Contributed equity \$	Accumulated losses \$	Share based payment reserve \$	Total equity \$
<b>Balance at 1 July 2014</b>		26,012,998	(10,314,893)	1,010,093	16,708,198
<b>Total comprehensive (loss) for the year</b>		-	(826,822)	-	(826,822)
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Employee and loan funded shares expensed	14	-	-	14,094	14,094
<b>Balance at 30 June 2015</b>		<b>26,012,998</b>	<b>(11,141,714)</b>	<b>1,024,187</b>	<b>15,895,471</b>
<b>Total comprehensive income for the year</b>		-	612,353	-	612,353
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Employee and loan funded shares expensed	14	-	-	230,110	230,110
<b>Balance at 30 June 2016</b>		<b>26,012,998</b>	<b>(10,529,361)</b>	<b>1,254,297</b>	<b>16,737,934</b>

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

**Gage Roads Brewing Co Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		38,512,432	39,069,365
Payments to suppliers and employees (inclusive of GST)		<u>(35,511,403)</u>	<u>(40,133,470)</u>
		3,001,029	(1,064,105)
Interest received		266	5,782
Interest paid		<u>(576,745)</u>	<u>(514,449)</u>
<b>Net cash inflow/ (outflow) from operating activities</b>	15	<u>2,424,550</u>	<u>(1,572,772)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(435,872)</u>	<u>(1,776,187)</u>
Payments for intangible assets		<u>(8,664)</u>	<u>(87,972)</u>
<b>Net cash (outflow) from investing activities</b>		<u>(444,536)</u>	<u>(1,864,159)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		121,102	4,293,255
Repayment of borrowings		<u>(158,954)</u>	<u>(266,686)</u>
<b>Net cash inflow/ (outflow) from financing activities</b>		<u>(37,852)</u>	<u>4,026,568</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		1,942,161	589,637
Cash and cash equivalents at the beginning of the financial year		<u>1,617,075</u>	<u>1,027,436</u>
<b>Cash and cash equivalents at the end of the financial year</b>	6	<u>3,559,236</u>	<u>1,617,075</u>

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

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**Note 1 Summary of Significant Accounting Policies**

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

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. This Company is a for-profit entity for the purpose of preparing the Financial Statements.

*Compliance with IFRS*

The financial statement of Gage Roads Brewing Co Ltd also complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*

These Financial Statements have been prepared under the historical cost convention.

*Critical Accounting Estimates and Significant Judgements*

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. The major area involving a higher degree of judgement or complexity, and where assumptions and estimates are significant to the Financial Statements, is the recognition basis of the Deferred Tax Asset based on management's assessment of future profits to support its recovery (refer Note 5).

*Going concern*

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company had a net current liability of \$8,583,626 at 30 June 2016. The Company has a \$9.7m credit facility with the ANZ bank, firstly secured by company assets and then by a guarantee from Woolworths Limited. The facility, which was fully drawn down at balance date, and corresponding guarantee conclude in March 2017 and therefore are represented in the statement of financial position as a current liability. The company does not currently have sufficient cash available to repay the loan at this date. This condition indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The Directors believe that there are reasonable grounds to believe that the Company will continue as a going concern through current operations and given that the Company has executed an underwriting agreement with Argonaut Capital Limited to raise \$8.5m through an entitlement issue and \$1.6m through a placement, totalling \$10.1m. The Company intends to apply part of the proceeds of this issue towards reducing its debt level by \$4.7m and re-financing the \$5m balance with the Commonwealth Bank of Australia, which does not require a guarantee.

Should the company be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company does not continue as a going concern.

**(b) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and members of the Board of Management.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

---

**Note 1 Summary of Significant Accounting Policies**

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**(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 notional 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 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 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 Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

**(f) Impairment of assets**

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 cash flows 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.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

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**Note 1 Summary of Significant Accounting Policies**

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**(g) Cash and cash equivalents**

For statement of cash flows 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 allowance for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance 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 allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the profit or loss.

**(i) Inventories**

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 for work-in-progress and finished goods. 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) Financial assets**

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 reporting date which are classified as non-current assets. Loans and receivables are included in trade receivables in the Statement of Financial Position (Note 7).

Regular purchases and sales of financial assets are recognised on trade-date, i.e. when committed. Financial assets are de-recognised when the rights to receive the cash flows 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 reporting 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 cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

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**Note 1 Summary of Significant Accounting Policies**

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**(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. 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 profit and loss during the financial period in which they are incurred. Depreciation is calculated using both the straight line and reducing balance methods to allocate their cost, 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 reporting 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 Statement of Financial Performance.

**(m) Intangible assets**

*Trademarks*

Trademarks are treated as having an indefinite useful life because they are expected to contribute to the net cash flows 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.

*Product Development*

Product Development costs are carried at cost less amortisation. Amortisation is calculated on a straight-line basis over the assets estimated useful life of 2 years.

Costs incurred in developing products will contribute to future period revenue generation. Costs capitalised include external direct costs of materials and services.

**(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. They are recognised initially at fair value and subsequently at amortised cost.

**(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 profit and loss 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 reporting 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.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

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**Note 1 Summary of Significant Accounting Policies**

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**(q) Employee benefits**

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated 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 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.

*(iii) Share-based payments*

The fair value of options at grant date is 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 reporting 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 Statement of Financial Position.

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

**(t) Foreign currency**

The functional and presentational currency of Gage Roads Brewing Co. Ltd is the Australian dollar. 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 profit or loss.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

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**Note 1 Summary of Significant Accounting Policies**

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**(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.

**(v) Excise Tax**

As of the 1 July 2008 the Company has adopted an accounting treatment which accounts for Excise Tax as monies received on behalf of a third party and not as revenue. Excise tax collected is accounted for as a current liability until it is paid on a weekly basis.

**(w) Provisions**

Provisions for legal claims and other obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

**(x) New standards and interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

*(i) AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Company will adopt this standard and the amendments from 1 July 2018. It is expected that the application of the new amendments will not have an impact on the entity's

*(ii) AASB 15 Revenue from Contracts with Customers*

The AASB has issued this new standard for the recognition of revenue. This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Company will adopt this standard and the amendments from 1 July 2017. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2016**

**Note 1 Summary of Significant Accounting Policies**

*(iii) AASB 16 Leases*

The AASB has issued this new standard which eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

*(iv) New standards and interpretations not expected to have a significant impact*

The following standards are not yet effective and are not expected to have a significant impact on the Company's financial statements:

<b>Standard / Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 2014-3 'Amendment to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint Operations'	1 January 2016	30 June 2017
AASB 2015-1 'Amendment to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendment to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2018
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure initiative: - Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-3 'Amendments to Australian Accounting Standards - Clarifications to AASB 15'	1 January 2018	30 June 2019

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 2 : Financial Risk Management**

The Company's activities expose it to a variety of financial risks, market risk (including currency risk and cash flow interest rate 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. Details of policies for each risk are detailed below.

**Fair Value Measurement**

The Carrying Value and Fair Value of financial assets and financial liabilities, both recognised and unrecognised at reporting date, are as follows:

	2016 \$	2016 \$	2015 \$	2015 \$
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>				
Cash and cash equivalents	3,559,236	3,559,236	1,617,075	1,617,075
Trade and other receivables	2,986,294	2,986,294	2,132,905	2,132,905
	<b>6,545,530</b>	<b>6,545,530</b>	3,749,980	3,749,980
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	7,195,989	7,195,989	6,720,159	6,720,159
Borrowings	9,685,319	9,685,319	9,723,170	9,723,170
	<b>16,881,308</b>	<b>16,881,308</b>	16,443,330	16,443,330

**(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) *Cash flow 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 (Credit Rating: AA). Cash transactions are limited to high credit quality financial institutions.

Credit risk also arises in relation to trade receivables. The Company only has a credit risk concentration in trade receivables with respect to national wholesalers and Woolworths Ltd, through their purchasing of large quantities of goods. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Refer to Note 7 for the Company's assessment of past due trade receivables. The maximum exposure to credit risk is the carrying amount of the financial assets as disclosed above.

**(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 a committed credit facility of \$9.7 million with the ANZ Banking Group which is drawn to \$9.612 million at year-end. Furthermore, the Company has a \$2m overdraft facility with ANZ which is undrawn at 30 June 2016. The Company has relied on equity raising and prudent management to manage this risk.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 2 : Financial Risk Management (continued)**

2016	< 1 year	1 - 2 years	2 - 5 years	Total	
				Cash flows	Carrying Value
Trade payables	5,196,035	-	-	5,196,035	5,196,035
Other payables	2,302,731	-	-	2,302,731	2,302,731
Loans & leases	10,629,675	335,441	341,289	11,306,405	9,612,564
Total Payable	18,128,441	335,441	341,289	18,805,171	17,111,330

2015	< 1 year	1 - 2 years	2 - 5 years	Total	
				Cash flows	Carrying Value
Trade payables	5,167,364	-	-	5,167,364	5,167,364
Other payables	1,861,003	-	-	1,861,003	1,861,003
Loans & leases	1,266,269	9,744,016	-	11,010,285	9,612,564
Total Payable	8,294,636	9,744,016	-	18,038,652	16,640,931

**(d) Cash flow interest rate risk**

The Company's interest-bearing assets are at floating interest rates, thereby exposing the Company to cash flow 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 2016, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$16,858 higher/lower (2015: \$10,553 higher/lower) from interest income on cash and cash equivalents, based upon the average cash on hand balance of \$1,685,798 (2015: \$1,055,264).

All of 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 cash flows arising from those liabilities.

As at 30 June 2016, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$96,126 higher/lower (2015: \$86,959) from interest expense on borrowings, based upon the average loan balance of \$9,612,564 (2015: \$8,695,897).

**Note 3 : Revenue**

	2016	2015
	\$	\$
<i>Revenue</i>		
Sale of goods	<b>38,065,387</b>	34,881,089
Less: Excise tax collected	<b>(11,321,344)</b>	(9,353,533)
Less: Wine Equalisation Tax Collected	<b>(1,241,732)</b>	(1,132,133)
Interest	<b>266</b>	5,782
	<b>25,502,576</b>	24,401,205
<i>Other revenue</i>		
Sundry sales	<b>234,983</b>	157,154
	<b>234,983</b>	157,154

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 4 : Expenses**

	2016	2015
	\$	\$
<b>Profit (loss) before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	1,039,734	1,110,933
Office equipment	53,727	36,583
Motor vehicles	11,474	14,784
Amortisation of intangible assets	44,881	103,902
Total Depreciation	<u>1,149,816</u>	<u>1,266,202</u>
<i>Impairment</i>		
Impairment in relation to obsolete plant and equipment	-	170,654
Impairment Charges	<u>-</u>	<u>170,654</u>
<i>Bad Debt Expense</i>		
Bad debts written off	3,878	18,693
Bad Debts Expensed	<u>3,878</u>	<u>18,693</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	576,745	514,449
Finance costs expensed	<u>576,745</u>	<u>514,449</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	850,188	524,437
Total rental expense relating to operating leases	<u>850,188</u>	<u>524,437</u>
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	401,106	439,426
Total defined contribution superannuation expense	<u>401,106</u>	<u>439,426</u>
<i>Share-based payments expense (Note 17 b)</i>		
Non-recourse loan-funded shares	230,110	14,094
Total share-based payments expense	<u>230,110</u>	<u>14,094</u>
<i>Operating Expenses</i>		
Operational Waste	157,227	407,223
Operational Waste Expense	<u>157,227</u>	<u>407,223</u>

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

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

	2016 \$	2015 \$
<b>(a) Income tax expense/ (benefit)</b>		
Current tax	-	-
Deferred tax - origination of temporary differences	365,530	( 346,882)
	<u>365,530</u>	<u>( 346,882)</u>
<b>(b) Numerical reconciliation of income tax expense/ (benefit) to prima facie tax payable</b>		
Profit/ (loss) before income tax expense	977,883	(1,173,702)
Tax at the Australian tax rate of 30% (2015 - 30%)	293,365	(352,111)
Tax effect of amounts which are not deductible (taxable) in		
Share-based payments	69,033	4,228
Fines and entertaining	3,132	1,000
	<u>365,530</u>	<u>( 346,882)</u>
Income tax expense/ (benefit)	<u>365,530</u>	<u>( 346,882)</u>
<b>(c) Unrecognised tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	<u>-</u>	<u>-</u>
Deferred tax assets and liabilities were not brought to account in 2009 after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the immediate future that taxable profits will be available against which the benefit of the deductible temporary differences can be claimed.		
<b>(c) Recognised tax losses</b>		
Unused tax losses for which a deferred tax asset has been recognised	9,580,316	10,821,922
Deferred tax asset @ 30%	<u>2,874,095</u>	<u>3,239,625</u>
<b>Movement in Deferred tax asset</b>		
Recognition of deferred tax asset - prior year losses	-	-
- current year (profit)/ loss	365,530	(346,882)
	<u>365,530</u>	<u>(346,882)</u>

Deferred tax assets and liabilities have been brought to account in 2016 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 of the deductible temporary differences 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.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

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**Note 6 : Current assets - Cash and cash equivalents**

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	2016 \$	2015 \$
Cash at bank and in hand	3,559,236	1,617,075
	3,559,236	1,617,075

**(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 statement of cash flows.

**(b) Cash at bank and on hand**

The cash at bank and in hand balances above bear interest rates of between 0% and 1%.

Refer Note 2 for assesment of company risk management policy

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**Note 7 : Current assets - Trade and other receivables**

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	2016 \$	2015 \$
Trade receivables	2,802,325	2,056,368
Other receivables	183,969	76,537
	2,986,294	2,132,905

**(a) Impaired trade receivables**

Impaired trade receivables that are known to be uncollectable during the year ended 30 June 2016 have been written off. The Company is unaware of any doubtful trade receivables and has not made any allowance for any doubtful trade receivables as of 30 June 2016. Bad trade receivables which have been expensed during 2016 to bad debts expense are amounts past due which were uncollectable from debtors who did not settle their obligations. 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 2016, trade receivables of \$534,095 (2015 - \$1,213,882 ) were past due but not impaired. These relate to a number of unrelated customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 \$	2015 \$
Up to 3 months	360,714	1,151,873
3 to 6 months	173,381	62,009
	534,095	1,213,882

**(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 major customers. 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.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 8 : Current assets - Inventories**

	2016	2015
	\$	\$
Raw material and stores - at cost	1,421,229	1,502,822
Work-in-progress - at cost	148,787	83,521
Finished goods - at cost	182,136	576,309
	1,752,152	2,162,652

**Inventory expense**

Inventories recognised as an expense (cost of goods sold) during the year ended 30 June 2016 amounted to \$12,221,396 (2015: \$12,021,626). Inventories written off during the year as new product development costs, obsolete stock and operational waste amounted to \$157,227 (2015: \$407,223).

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

	Plant and equipment	Office equipment	Motor vehicles	Total
<b>Year ended 30 June 2015</b>				
Opening net book amount	22,703,609	63,529	47,876	22,815,014
Additions	1,761,058	62,598	44,139	1,867,795
Depreciation charge	(1,110,933)	(36,583)	(14,784)	(1,162,300)
Impairment Charge on obsolete equipment	(170,654)	-	-	(170,654)
Disposals	-	-	(14,115)	(14,115)
Closing net book amount	23,183,080	89,544	63,116	23,335,740
<b>At 30 June 2015</b>				
Cost or fair value	27,910,936	319,290	250,916	28,481,142
Accumulated depreciation	(4,727,856)	(229,746)	(187,800)	(5,145,402)
Net book amount	23,183,080	89,544	63,116	23,335,740
<b>Year ended 30 June 2016</b>				
Opening net book amount	23,183,080	89,544	63,116	23,335,740
Additions	398,461	39,513	-	437,974
Depreciation charge	(1,039,734)	(53,727)	(11,474)	(1,104,935)
Impairment Charge on obsolete equipment	-	-	-	-
Disposals	-	-	(2,102)	(2,102)
Closing net book amount	22,541,807	75,330	49,540	22,666,677
<b>At 30 June 2016</b>				
Cost or fair value	28,309,397	358,803	248,814	28,917,014
Accumulated depreciation	(5,767,590)	(283,473)	(199,274)	(6,250,337)
Net book amount	22,541,807	75,330	49,540	22,666,677

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

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**Note 9 : Non-current assets - Property, plant and equipment (continued)**

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**(a) Assets in the course of construction**

The carrying value of assets disclosed above include the following expenditure recognised in relation to plant and equipment which is in the course of construction. As it is not yet available for use this plant and equipment has not been depreciated.

	2016	2015
	\$	\$
Plant and equipment	<b>60,095</b>	58,229

**(b) Non-current assets pledged as security.**

Refer to note 11 for information on non-current assets pledged as security by the Company.

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**Note 10 : Non-current assets - Intangible assets**

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<b>Year ended 30 June 2015</b>	<b>\$</b>
Opening net book amount	136,377
Additions	15,930
Amortisation	(103,902)
Closing net book amount	48,405

<b>Year ended 30 June 2015</b>	<b>\$</b>
Opening net book amount	136,377
Closing net book amount	48,405

<b>Year ended 30 June 2016</b>	<b>\$</b>
Opening net book amount	48,405
Additions	8,664
Amortisation	(44,881)
Closing net book amount	12,188

<b>Year ended 30 June 2016</b>	<b>\$</b>
Opening net book amount	48,405
Closing net book amount	12,188

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**Note 11 : Current liabilities - Trade, other payables & borrowings**

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**Trade and other payables**

	2016	2015
	\$	\$
Trade payables	<b>5,196,035</b>	5,144,794
Payables for capital purchases	<b>439,753</b>	460,799
GST payable	<b>461,745</b>	184,305
Other payables (a)	<b>1,098,456</b>	930,261
	<b>7,195,989</b>	6,720,159

**(a) Amounts not expected to be settled within one year**

Other payables include accruals for annual leave. The entire obligation is expressed as a current liability 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 \$70,000 (2015: \$70,000). This is considered to be immaterial.

**(b) Risk exposure**

Information about associated liquidity and fair value risk is set out in Note 2.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

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**Note 11 : Current liabilities - Trade, other payables & borrowings (continued)**

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**Borrowings**

	<b>2016</b>	2015
<b>Unsecured</b>		
Insurance premium funding	<b>37,076</b>	57,182
<b>Secured</b>		
Motor Vehicle finance lease	<b>35,679</b>	53,424
Bank loans (a)	<b>9,612,564</b>	9,612,564
Total current borrowings	<b>9,685,319</b>	9,723,170

**(a) Bank Loan**

The Company has a committed credit facility of \$9.7 million with the ANZ Banking Group which is drawn to \$9.6 million at the year end. On 16 February 2016 the Company and ANZ executed a letter which waived the requirement for the Company to report on the 31 December 2015 covenant, which would have otherwise been breached. On 17 May 2016 the Company and ANZ executed a letter which waived the requirement for the Company to report on the 31 March 2016 covenant, which would have otherwise been breached.

**(b) Risk exposure**

Details of the Companies exposure to risks arising from current and non-current borrowings are set out in note 2.

**(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) Assets pledged as security**

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

	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
<i>Fixed &amp; Floating charges</i>		
Plant and equipment	<b>22,617,137</b>	23,272,624
Motor vehicles	<b>49,540</b>	63,115
<i>Total Fixed &amp; Floating charges</i>	<b>22,666,677</b>	23,335,739
Total assets pledged as security	<b>22,666,677</b>	23,335,739

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**Note 12 : Non Current liabilities - Provisions**

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	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
Provision for long service leave	<b>231,400</b>	197,600
	<b>231,400</b>	197,600

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
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**Note 13 : Contributed equity**

	2016 Shares	2015 Shares	2016 \$	2015 \$
<b>(a) Share Capital</b>				
Fully paid ordinary shares	<b>426,332,293</b>	395,332,293	<b>26,012,998</b>	26,012,998
	<b>426,332,293</b>	395,332,293	<b>26,012,998</b>	26,012,998
<b>(b) Movement in contributed equity:</b>				
<b>1 July (opening balance)</b>	<b>395,332,293</b>	395,332,293	<b>26,012,998</b>	26,012,998
<i>Issues of shares during the year</i>				
Ordinary shares issued (Employee shares)	<b>31,000,000</b>	-	-	-
<b>30 June (closing balance)</b>	<b>426,332,293</b>	395,332,293	<b>26,012,998</b>	26,012,998

At 30 June 2016 there were 426,332,293 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.

**Capital risk management**

The Company's objectives when managing capital is to maintain an ability to trade profitably, so that they can provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may seek to issue new shares and/or debt. Capital is monitored on its ability to fund the Company's objectives. Capital ratios monitored by management are those reported to the Company's financiers as part of its facility agreements (interest coverage, net tangible assets).

**Note 14 : Reserves and accumulated losses**

	2016 \$	2015 \$
<b>(a) Share based payment reserve</b>		
Movements in share based payment reserve were as follows:		
Balance 1 July	<b>1,024,187</b>	1,010,093
Share based payment expense	<b>230,110</b>	14,094
Balance 30 June	<b>1,254,297</b>	1,024,187

The share based payment reserve is used to recognise the fair value of shares issued.

**(b) Accumulated losses**

Movements in accumulated losses were as follows:		
Balance 1 July	<b>(11,141,714)</b>	(10,314,893)
Net profit (loss) for the year	<b>612,353</b>	(826,821)
Balance 30 June	<b>(10,529,361)</b>	(11,141,714)

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 15 : Reconciliation of profit after income tax to net cash outflow from operating activities**

	2016	2015
	\$	\$
Profit (loss) for the year	612,353	(826,821)
Depreciation, amortisation & impairment	1,149,816	1,436,856
Employee share issue expense	230,110	14,094
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	(745,956)	496,792
(Increase) decrease in other debtors	(107,432)	4,829
(Increase) decrease in inventories	410,500	677,433
Increase (decrease) in trade creditors	30,194	(2,992,340)
(Increase) decrease in Future Tax Benefit	365,530	(346,882)
Increase (decrease) in other operating liabilities	445,635	(84,833)
Increase (decrease) in other provisions	33,800	48,100
Net cash inflow (outflow) from operating activities	<u>2,424,550</u>	<u>(1,572,772)</u>

**Note 16 : Earnings Per Share**

	2016	2015
Basic loss per share ("EPS") (cents)	0.15	(0.21)
Diluted loss per share (cents)	0.15	(0.21)
<b>(a) Basic earnings (loss) per share</b>	<b>\$</b>	<b>\$</b>
Profit (loss) used in calculating basic EPS	612,353	(826,822)
Weighted average number of ordinary shares used in calculating basic EPS	418,093,937	395,332,293

The profit (loss) used in the calculation of basic earnings per share equates to the net profit (loss) in the Statement of Profit or Loss and Other Comprehensive Income.

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.

**(b) Diluted earnings per share**

The diluted profit (loss) per share is the same as the basic profit (loss) per share as the Company's potential ordinary shares are not likely to be diluted as there are no currently issued options at 30 June 2016.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 17 : 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**

	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the year	Sold during the year	Forfeited during the year	Balance at end of the year	Vested at end of the year
Executives	07-Oct-11	06-Oct-18	\$0.062	9,135,595	-	-	-	9,135,595	-
Employees	22-Nov-11	21-Nov-18	\$0.062	2,400,000	-	-	-	2,400,000	-
Executives & Senior Management	02-Oct-15	02-Oct-22	\$0.063	-	12,000,000	-	-	12,000,000	-
Employees	02-Oct-15	02-Oct-22	\$0.063	-	19,000,000	-	-	19,000,000	-
<b>Total</b>				<b>11,535,595</b>	<b>31,000,000</b>	<b>-</b>	<b>-</b>	<b>42,535,595</b>	<b>-</b>

**(i) Employee and Executive Share Plan shares issued to key management personnel**

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.

No shares were granted, forfeited or lapsed during the year ended 30 June 2016 (2015: nil). No shares were sold during the year-ended 30 June 2016 (2015: Nil) and no corresponding loans have been paid to the Company.

The corresponding non-recourse loan balance at 30 June 2016 relating to these shares was \$566,407.

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 \$0 for the year ended 30 June 2016 (2015: 1,550).

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

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**Note 17 : Share-based payments (Continued)**

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***(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.

No options were granted, exercised or lapsed during the year ended 30 June 2016 (2015: Nil). No shares were forfeited during the year (2015: Nil).

The corresponding non-recourse loan balance at 30 June 2016 relating to these shares was \$148,800.

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 \$0 for the year ended 30 June 2016 (2015: \$14,094).

***(iii) Employee and Executive Share Plan shares issued to employees 2 October 2015***

On 2 October 2015, 31,000,000 shares were issued to executives and employees of the Company at an issue price of 6.3 cents per share and corresponding non-recourse loans totalling \$1,953,000 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: \$0.063 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 2 October 2022)
- Vesting condition for 33.33%: remains eligible employee for 12 months
- Vesting condition for further 33.33%: remains eligible employee for 24 months
- Vesting condition for balance: remains eligible employee for 36 months
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 18 November 2014

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 \$485,647 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 Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 17 : Share-based payments (Continued)**

Model inputs used to value the loan funded shares granted included:

- exercise price is \$0.063
- market price of shares at grant date, \$0.063
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 2.03%
- time to maturity, 7 years; and
- a dividend yield of 1%

The expected volatility during the term of the loan funded shares 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 \$230,110 for the year ended 30 June 2016.

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>(b) Expenses arising from Share-based payments</b>		
Incentive Share Scheme (a)	<b>230,110</b>	14,094
	<b>230,110</b>	14,094

**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

Aaron Heary	Chief Operating Officer
Marcel Brandenburg	Chief Financial Officer and Company Secretary

(ii) Executive Directors

John Hoedemaker	Managing Director
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(iii) Non-Executive Directors

Chris Baddock	
Ian Olson	Chairman
Robert Gould	

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>2016</b>	<b>2015</b>
	\$	\$
Key Management Personnel compensation		
Short-term employment benefits		
- Executives & Executive Directors	<b>881,074</b>	1,090,621
- Non-Executive Directors	<b>194,079</b>	198,069
Post-employment benefits	<b>84,841</b>	102,125
Share-based payments	<b>29,684</b>	1,550
	<b>1,189,678</b>	1,392,365

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

**Note 18 : Related party transactions (Continued)**

**(b) Loans to key management personnel**

Details of loans made to directors of the Company and other Key Management Personnel, including their personally related parties are set out below.

Key Management Personnel with loans during the financial year:

30-Jun-16	Balance at the start of the year	Loans provided during the year	paid back by the Employee	Interest paid and payable for the year	Interest not charged	Balance at the end of the year
Aaron Heary	194,407	-	-	-	-	194,407
John Hoedemaker	372,000	-	-	-	-	372,000
Marcel Brandenburg	18,600	252,000	-	-	-	270,600
<b>Total</b>	<b>585,007</b>	<b>252,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>837,007</b>

All loans to key management personnel are under the terms and conditions as set out in remuneration report relating to the incentive share plan.

**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:

	2016 \$	2015 \$
<b>Audit Services</b>		
Audit and review of financial report		
BDO Audit (WA) Pty Ltd	51,697	50,661
<b>Non-audit services</b>		
BDO Corporate Finance (WA) Pty Ltd - IER	10,200	-
	<u>61,897</u>	<u>50,661</u>

**Note 20 : Commitments**

	2016 \$	2015 \$
<b>(a) Lease commitments - Company as lessee</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	635,786	740,462
Later than one year but not later than five years	676,730	1,261,851
Later than five years	-	1,393,935
	<u>1,312,516</u>	<u>3,396,248</u>
Representing:		
Operating leases as per (i) below	1,312,516	3,396,248
below	<u>1,312,516</u>	<u>3,396,248</u>

*(i) Operating leases*

The Company leases its Absolon Street premises under an operating lease expiring 1 September 2023 with on-going options to extend the lease by 5 years until 2034.

The Company furthermore leases warehousing premises under an operating lease which expires 30 June 2017. The Company has taken up an option to extend the lease by 12 months from 1 July 2016. The lease has further options to extend by 2 years thereafter until 30 June 2024.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2016**

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**Note 20 : Commitments (continued)**

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Commitments for minimum lease payments in relation to operating leases are payable as follows:

	2016	2015
	\$	\$
Within one year	635,786	740,462
Later than one year but not later than five years	676,730	1,261,851
Later than five years	-	1,393,935
	1,312,516	3,396,248

The weighted average interest rate implicit in the leases is Nil (2015 - nil).

**(b) Capital Commitments**

The Company has current commitments to specific items of capital expenditure totalling \$438,230 (2015: 460,799).

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**Note 21 : Events occurring after the reporting date**

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As announced on 30 August 2016, the Company has executed an underwriting agreement with Argonaut Capital Limited to raise \$8.5m through an entitlement issue and an additional \$1.6m through a placement to institutional investors.

The Company has further announced the execution of a binding term sheet with Woolworths Limited in relation to a share buy-back subject to a successful capital raising. The Company (subject to shareholder approval) plans to selectively buy-back the 100,016,305 shares that Woolworths owns in the Company at a price of \$0.015 per share.

The Company has also announced a restructure of its \$9.7m debt facility. \$4.7m of debt will be permanently retired using the proceeds of the capital raising as outlined above, with the remaining \$5m expected to be re-financed with the Commonwealth Bank of Australia, subject to a minimum \$4.7m capital raising and finalisation of documentation.

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**Note 22 : Segment reporting**

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Management has determined that the company has two reportable 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 reportable 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 (the Board of Directors) with making decisions regarding the company and its operating activities.

	2016	2015
	\$	\$
Revenue from external sources	25,502,310	24,395,423
Net profit/ (loss) before tax	977,883	(1,173,703)
Reportable segment assets	33,850,642	32,536,402
Reportable segment liabilities	17,112,708	16,640,930

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.

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**Note 23 : Contingencies**

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The Company had no contingent assets or liabilities as at 30 June 2016 or 2015.

## 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 statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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*. 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 report.

## 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 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and the renegotiation of existing debt facilities. These conditions, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2016. 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.

## Opinion

In our opinion, the Remuneration Report of Gage Roads Brewing Co Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Jarrad Prue  
Director

Perth, 30 August 2016

**Gage Roads Brewing Co Limited**  
**Additional ASX Information**  
**As at 29 August 2016**

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 29 August 2016.

**Substantial Shareholders (holding more than 5%)**

<b>Shareholder</b>	<b>Fully Paid Ordinary Shares</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Woolworths Limited	100,016,305	23.46%
Mr Shimin Song	51,881,412	12.17%

**Top 20 Shareholders**

**(a) Fully Paid Ordinary Shares**

<b>Shareholder</b>	<b>Fully Paid Ordinary Shares</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Woolworths Limited	100,016,305	23.46%
Mr Shimin Song	51,881,412	12.17%
Mintox Investments Pty Ltd	6,404,669	1.50%
Giromol Pty Ltd	6,000,000	1.41%
Bnp Paribas Noms Pty Ltd	4,579,875	1.07%
Mr Matthew Lloyd Morisey	4,500,000	1.06%
Mr Marcus Jeen Creighton	4,500,000	1.06%
Mr Marcel Brandenburg	4,300,000	1.01%
Kinetic Ventures Pty Ltd	4,000,000	0.94%
Mr Peter Howells	4,000,000	0.94%
Honne Investments Pty Limited	4,000,000	0.94%
Mr Donald Pleasance	4,000,000	0.94%
M & J Devine Pty Ltd	3,657,152	0.86%
Marcacey Pty Ltd	3,190,000	0.75%
Mr Aaron Joel Heary	3,000,270	0.70%
Jove Pty Ltd	2,500,000	0.59%
Mr Jim Chantry	2,500,000	0.59%
Kinetic Ventures Pty Ltd	2,294,053	0.54%
Mr Gregory Wayne Eastgate	2,000,000	0.47%
Mr Paul Leigh Ruff & Mrs Belinda Ruff	1,853,000	0.43%
	<b>219,176,736</b>	<b>51.41%</b>

**(b) Unlisted Options over Fully Paid Ordinary Shares**

There are NIL options over ordinary shares	-	0.00%
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**Gage Roads Brewing Co Limited**  
**Additional ASX Information**  
**As at 29 August 2016**

**Additional ASX Information (continued)**

**Distribution of Holders of Ordinary Fully Paid Shares**

<b>Range</b>	<b>Total Holders</b>	<b>Units</b>	<b>Percentage</b>
1-1,000	72	3,758	0.00%
1,001-5,000	224	836,204	0.20%
5,001-10,000	354	3,025,306	0.71%
10,001-100,000	1,309	53,047,141	12.44%
100,001 and above	450	369,419,884	86.65%
<b>Total</b>	<b>2,409</b>	<b>426,332,293</b>	<b>100.00%</b>

As at 29 August 2016 there were 69 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 29 August 2016 there are nil ordinary shares and options held in escrow.