

Appendix 4D Half-Year Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the half-year ended 31 December 2016

Results for announcement to the market

Revenue from ordinary activities	up	2%	to	\$13,841,761
Profit from ordinary activities after tax attributable to members	up	92%	to	\$1,405,730
Net profit attributable to members	up	92%	to	\$1,405,730

Dividends (distributions)

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

Net tangible assets per share	31 December 2016	31 December 2015
	\$ 0.03	\$ 0.03

Details of controlled entities

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

Details of associates and joint venture entities

There were no associates and joint venture entities during the period.

Reporting Periods

The current reporting period is the half-year ended 31 December 2016. The previous corresponding period is the half-year ended 31 December 2015.

Commentary on the results for the half-year ended 31 December 2016

- NPAT up 92% to \$1.4 million (H1 FY16: \$0.73 million)
- EBITDA up 43% to \$2.8 million (H1 FY16: \$1.96 million)
- Gross Profit margin 55% up from 54% in H1 FY16
- Sales of Gage Roads brands through national chains up 24%
- Carton sales to the independent retail channel up 244%
- Draught sales to the on-premise channel up 184%

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

H1 FY17 was an exciting and remarkable first half for the Company with strong progress in sales capability, distribution to new channels and growth of our craft brands providing initial signs of success and validating the business's strategy.

The five-year strategy, "*Returning to Craft*", launched in May 2016 is underpinned by the rapidly growing demand for high quality craft beer in Australia. At its core, the strategy seeks broader markets for the Gage Roads proprietary brands with incremental sales to the independent retail and on-premise channels to market. The strategy anticipates that access to new channels coupled with an increased sales, distribution and marketing capability, will deliver incremental margin and volumes of the Gage Roads proprietary brands and deliver sustained earnings growth.

During its first 6 months, key milestones were achieved providing a solid financial and operational platform from which we expect to see the "*Returning to Craft*" strategy continue to accelerate.

Late in FY16 Gage Roads won the highest Australian brewing award, trophy for Champion Australian Beer at the Australian International Beer Awards for Little Dove in draught, making it the champion national brew from almost 1,800 entries at Australia's most coveted beer awards. The impressive win secured the Company's craft credibility, rewarded our team for their focus on quality and instantly lifted consumer awareness on a national basis, providing a fantastic launch for "*Returning to Craft*".

Appointed in May 2016, National Sales and Marketing Manager, Scott Player, with more than 19 years of sales, marketing and distribution experience in the craft beer industry, delivered major milestones in building the Company's national sales, distribution and marketing capabilities.

The Company's events-based "brand-in-hand" marketing strategy has advanced with strong partnerships formed with key event partners to capitalise on the existing growth in consumer awareness of the Gage Roads brands. One of those partnerships includes exclusive beer rights for the Perth Fringe World festival for the next three years. Fringe World is the largest annual event in Western Australia and the third largest fringe-style event in the world. The Company expects to participate in similar events on a national basis over the next year.

During the half-year, the Company achieved national independent distribution of our Gage Roads proprietary products adding Australian Liquor Marketers (ALM) and 100Proof as our major wholesalers and distributors. ALM will support Gage Roads as a broad range liquor wholesaler that supplies to more than 12,000 hotels, liquor stores, restaurants and other licensed premises in every state of Australia. 100Proof provides Gage Roads access to tailored distribution to up to 5,000 restaurants, bars and hotels in core on-premise markets including NSW, VIC and QLD.

Our FY17 national sales and marketing team expansion has concluded with the appointment of representatives in key markets, including New South Wales (2 appointments), Victoria (3), Queensland (1) and Western Australia (2 appointments). During the half-year, the newly deployed national sales force made meaningful in-roads into the independent trade with sales to independent retailers up 244% over H1 FY16 as a result of increased distribution.

The on-premise sales and distribution strategy is also showing signs of success with the rollout of our core craft range with Little Dove, Single Fin Summer Ale, Sleeping Giant IPA and Atomic Pale Ale becoming available in draught in new markets in New South Wales, Victoria and Queensland. The Company's sales of Gage Roads' draught products improved 184% as a result of increased distribution.

Accordingly, the higher proportion of Gage Roads proprietary brands and draught sales in the overall sales mix improved gross profit margins to 55%.

In September 2016, the Company was pleased to successfully conclude an underwritten non-renounceable entitlement offer and placement to raise \$10.1 million. The transaction incorporated the following:

- A fully underwritten 4 for 5 non-renounceable entitlement issue of 341,065,834 shares at \$0.025 per share to existing Shareholders to raise \$8.5 million
- An institutional placement of 63,900,000 shares at \$0.025 per share to raise \$1.6 million
- Buy-back and cancellation of 100,016,305 shares at \$0.016 per share held by Woolworths Limited
- Repay \$4.7 million of existing debt, refinance and remove Woolworths as guarantor of the remaining debt
- Engage key management and employees, aligning shareholder interests with operational success

Subject to shareholder approval and fully ratified by shareholders at the FY16 AGM (30 September 2016) the transaction delivered on its objectives, seeing Gage Roads become one of Australia's largest independent craft breweries and providing the financial flexibility, with materially lower debt and an improved working capital position, to successfully deliver on our "Returning to Craft" strategy.

Earnings Results

Revenue grew 2% to \$13.8 million and produced a gross profit of \$7.6 million (55%). The Company's cost-structure remained largely steady with few exceptions. Employee expenditure increased \$0.3 million with the expansion of our sales and marketing team and similarly, sales and marketing expenditure grew by \$0.3 million. An additional non-recurring \$0.2 million worth of consultancy expenditure relating to the debt raising were recorded under administration costs.

Gage Roads has experienced strong demand for its proprietary brands through the national retail chains' network during H1 FY17, with sales from those stores to consumers increasing by 24%, compared with the previous corresponding period.

Despite the improvement in sales out of the national retail chains' stores, total sales volume for H1 FY17 was 5.6 million litres, 6% lower than H1 FY16. GRB proprietary brand volume sold into the national retail chains during H1 FY17 was down 22%. As previously announced (28 October 2016), this reduction resulted from a temporary inventory adjustment from an unwinding of a high inventory balance held by retailers at the start of the financial year. With inventory balances now normalised and with strong underlying consumer demand, the Company expects full-year sales to this channel to meet the Company's FY17 expectations.

Sales made through the Company's contract brewing division, Australian Quality Beverages (AQB), declined 4% over H1 FY16, in line with the decline in the mainstream beer market and Company expectations.

The Company achieved a strong half-year EBITDA result of \$2.8 million, up 43% on H1 FY16. These earnings were complemented by the recognition of \$0.82 million compensation agreed with key equipment supplier Krones (announced on 23 December 2016) and \$0.15 million micro-brewery excise refund received from the ATO. Adjusted EBITDA of \$1.8 million represents 33 cents per litre, up 10 cents per litre from the FY16 result (23 cents per litre). The underlying earnings result was driven by the improved margin and sales of Gage Roads proprietary brands and is on target with the Company's 5-year strategic plan.

Cash Flow and Balance Sheet

Net operating cash outflows were \$0.4 million for the half-year and were affected by an \$3 million increase in debtors towards the end of the half-year required to meet anticipated demand during the Christmas period.

As discussed, above, the Company successfully concluded its \$10.1 million capital raising during the half-year. The proceeds were applied as follows

Use of Funds (millions)	(\$ million)
Buy-back WOW	1.6
Retire debt	4.7
Working capital	3.0
Cost of raising	0.8
<hr/> Total Funds	<hr/> 10.1

After retiring \$4.7 million debt, the Company completed a re-financing of its remaining \$5 million debt facility with the Commonwealth Bank (CBA). As the Company does not have an immediate requirement to utilise the \$3 million working capital raised, it has applied those funds towards reducing the CBA debt facility down to \$2 million, retaining the option to re-draw up to \$5 million as required. The Company has furthermore established a \$1 million overdraft facility with CBA, which is currently undrawn.

The Company finished 31 December 2016 with strong cash reserves of \$3 million, resulting in the Company becoming net cash positive and providing a solid platform from which to drive the "Returning to Craft" strategy.

Outlook FY17

- Continued growth of proprietary brands into the independent retail and on-premise channels to market
- Strong underlying consumer demand in our core national chain retail market
- Increased sales & marketing visibility on the east coast of Australia
- Craft market expected to continue to grow at over 20%
- Improvement in EBITDA/L on an annual basis

Managing Director John Hoedemaker said the Company is delivering on its 5-year strategy:

“We are really pleased with the progress made, only 6 months into our 5-year strategy. All the leading indicators are pointing in the right direction and are validating the *“Returning to Craft”* strategy.

“Key distribution partnerships have been formed and initial sales into new channels are proving successful. With a re-capitalised business and a strong balance sheet, I feel the Company’s financial position and our growing brand strength are well placed to deliver growth in earnings and value for our shareholders’ as *“Returning to Craft”* continues to unfold over the next 5 years.”

Please refer to the attached Financial Report for the half-year ended 31 December 2016 for further information.

John Hoedemaker
Managing Director

Compliance statement

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

The accounts have been audited.

The accounts have been subject to review.

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

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

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



Brandenburg

Signed:

Company Secretary

Date: 28 February 2017

Name:

Marcel Brandenburg



**GAGE ROADS BREWING CO LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

ABN 22 103 014 320

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2016, and any public announcements made by Gage Roads Brewing Co Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Gage Roads Brewing Co Ltd
Financial Report
For the Half-Year Ended 31 December 2016

Corporate Directory

Directors

Ian Olson (Chairman)
Chris Baddock (resigned 19 October 2016)
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

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

Automatic Registry Services
Po Box 226,
STRAWBERRY HILLS NSW 2012

Registry Enquiries

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

Gage Roads Brewing Co Ltd
Financial Report
For the Half-Year Ended 31 December 2016

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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2016

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Gage Roads Brewing Co Ltd
Review of Operations
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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2016

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John Hoedemaker

Managing Director

Gage Roads Brewing Co Ltd
Directors' Report
For the Half-Year Ended 31 December 2016

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2016.

Directors

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

Ian Olson (Chairman)
Chris Baddock (Resigned 19 October 2016)
John Hoedemaker
Robert Gould

Managing Director

John Hoedemaker

Company Secretary

Marcel Brandenburg

Principal Activities

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

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

Dividends

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

Review and results of operations

The profit of the Company for the half-year ended 31 December 2016 after providing for income tax amounted to \$1,405,730 (2015: \$731,084).

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



Ian Olson
Chairman

Palmyra
28 February 2017

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

As lead auditor for the review of Gage Roads Brewing Co. Ltd for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Jarrad Prue
Director

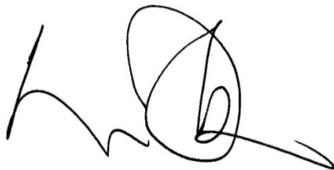
BDO Audit (WA) Pty Ltd
Perth, 28 February 2017

Gage Roads Brewing Co Ltd
Directors' Declaration
For the Half-Year ended 31 December 2016

The Directors of the Company declare that:

- (a) The financial statements and notes set out on pages 12 to 22 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Ian Olson
Chairman

Palmyra
28 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gage Roads Brewing Co. Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gage Roads Brewing Co. Ltd, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Gage Roads Brewing Co. Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (i) Giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

Handwritten signature of Jarrad Prue, consisting of the letters 'BDO' in a simple font above a cursive signature 'J Prue'.

Jarrad Prue

Director

Perth, 28 February 2017

Gage Roads Brewing Co Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year ended 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Revenue from continuing operations			
Sales revenue		13,841,761	13,631,224
Interest revenue		5,801	254
	2	<u>13,847,562</u>	<u>13,631,478</u>
Other income	2	1,269,455	82,858
Raw materials, consumables & delivery		(6,210,260)	(6,274,453)
Operating expenses		(1,644,446)	(1,842,901)
Employee expense		(3,077,608)	(2,792,815)
Depreciation and amortisation expense		(551,248)	(592,742)
Sales and marketing		(501,903)	(247,539)
Administration costs		(523,635)	(233,648)
Occupancy costs		(334,587)	(352,435)
Finance costs		(199,771)	(304,342)
Profit before income tax	3	<u>2,073,559</u>	<u>1,073,461</u>
Income tax (expense)		(667,829)	(342,377)
Net Profit after tax for the half-year		<u>1,405,730</u>	<u>731,084</u>
Total comprehensive income for the half-year		<u>1,405,730</u>	<u>731,084</u>
Profit and Other Comprehensive Income attributable to members of Gage Roads Brewing Co Ltd		<u>1,405,730</u>	<u>731,084</u>
Profit per share attributable to the ordinary equity holders of the company:			
Basic and diluted profit per share (cents)		0.22	0.18

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

Gage Roads Brewing Co Ltd
Statement of Financial Position
As at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,036,620	3,559,236
Trade and other receivables		6,527,848	2,986,294
Inventories		1,655,612	1,752,151
Total current assets		11,220,080	8,297,681
Non-current assets			
Property, plant and equipment	5	22,037,353	22,666,677
Intangible assets		24,011	12,188
Deferred tax asset	6	2,206,266	2,874,095
Total non-current assets		24,267,630	25,552,960
Total assets		35,487,710	33,850,641
LIABILITIES			
Current liabilities			
Trade and other payables	7	7,159,721	7,195,989
Borrowings	8	-	9,685,319
Total current liabilities		7,159,721	16,881,307
Non-current liabilities			
Provisions		270,900	231,400
Borrowings	8	2,065,359	-
Total non-current liabilities		2,336,259	231,400
Total liabilities		9,495,980	17,112,707
Net assets		25,991,730	16,737,934
EQUITY			
Contributed equity	9	33,742,064	26,012,998
Share options reserve		1,373,296	1,254,297
Accumulated losses		(9,123,630)	(10,529,360)
Total equity		25,991,730	16,737,934

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

Gage Roads Brewing Co Ltd
Statement of Changes in Equity
For the Half-Year ended 31 December 2016

	Contributed equity \$	Accumulated Losses \$	Share Option reserve \$	Total equity \$
At 1 July 2015	26,012,998	(11,141,714)	1,024,187	15,895,471
Total comprehensive income for the half-year	-	731,084	-	731,084
Transactions with equity holders in their capacity as equity holders:				
Employee and other share options expensed	-	-	82,124	82,124
At 31 December 2015	26,012,998	(10,410,630)	1,106,311	16,708,679
Total comprehensive income for the half-year	-	(118,731)	-	(118,731)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital, net of transaction costs	-	-	-	-
Employee share plan shares expensed	-	-	147,986	147,986
At 1 July 2016	26,012,998	(10,529,361)	1,254,297	16,737,934
Total comprehensive income for the half-year capacity as equity holders:	-	1,405,730	-	1,405,730
Contributions of equity, net of transaction costs	-	-	-	-
Issue of share capital, net of transaction costs	9,291,821	-	-	9,291,821
Share buy-back	(1,562,755)	-	-	(1,562,755)
Employee and other share options expensed	-	-	119,000	119,000
At 31 December 2016	33,742,064	(9,123,631)	1,373,297	25,991,730

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

Gage Roads Brewing Co Ltd
Statement of Cash Flows
For the Half-Year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST, WET and Excise Tax)	20,348,541	21,816,251
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	(20,586,334)	(20,241,506)
	(237,793)	1,574,745
Interest received	5,801	254
Interest paid	(199,771)	(304,342)
Net cash inflow/(outflow) from operating activities	(431,763)	1,270,657
Cash flows from investing activities		
Payments for property, plant and equipment	(195,052)	(343,476)
Payments for intangibles	(8,518)	-
Proceeds from property, plant and equipment	3,610	-
Net cash outflow from investing activities	(199,960)	(343,476)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	10,125,646	-
Share issue transaction costs	(833,825)	-
Share buy-back	(1,562,755)	-
Proceeds from borrowings	5,096,158	57,544
Repayment of borrowings	(12,716,118)	(91,459)
Net cash inflow/(outflow) from financing activities	109,106	(33,915)
Net decrease in cash and cash equivalents	(522,617)	893,266
Cash and cash equivalents at the beginning of the financial half-year	3,559,236	1,617,075
Cash and cash equivalents at the end of the financial half-year	3,036,620	2,510,341

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

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 1 : Summary of significant accounting policies

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

The general purpose financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001. The historical cost basis has been used as the basis of preparation.

These half-year financial statements do not include all the notes of the type normally included in the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements. Accordingly, this half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by Gage Roads Brewing Co Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2016 that have been applied by Gage Roads Brewing Co Limited. The 30 June 2016 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

Note 2 : Revenue & Other Income

	31 December 2016 \$	31 December 2015 \$
<i>Revenue</i>		
Sale of goods	20,151,571	20,353,270
Less: Excise tax & WET collected	(6,309,810)	(6,722,046)
Total sale of goods	13,841,761	13,631,224
Interest	5,801	254
	13,847,562	13,631,478
<i>Other income</i>		
Compensation Revenue ¹	815,519	-
ATO Micro-Brewery Excise Refund	150,000	-
Foreign Exchange Profit/ (Loss)	92,338	(81,973)
Warehousing Services	66,266	-
Other	145,332	164,831
	1,269,455	82,858

¹ As announced on 23 December 2016, the company reached an agreement with a major equipment supplier in relation to a commissioning issue dating back to 2014.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 3 : Expenses

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

	31 December	31 December
	2016	2015
	\$	\$
<i>Employee Expense</i>		
Employee and other share-based payment expense	119,000	82,124
<i>Administration costs</i>		
Consultancy costs incurred in relation to debt raising	205,184	-

Note 4 : 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 executives to date and, going forward, for services rendered by existing and any new eligible employees and executives who are appointed in the future. The Company feels that incentive shares are effective consideration to eligible employees and executives for their ongoing commitment and contribution to the Company.

	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the half-year	Forfeited during the half- year	Balance at end of the half-year	Vested at the end of the half- year
Executives and Senior Management	02-Oct-15	02-Oct-22	-	12,000,000	-	-	12,000,000	-
Employees	02-Oct-15	02-Oct-22	-	19,000,000	-	-	19,000,000	-
Executives and Senior Management	30-Sep-16	29-Sep-23	-	-	110,337,510	-	110,337,510	-
Employees	30-Sep-16	29-Sep-23	-	-	17,832,305	-	17,832,305	-
Total				31,000,000	128,169,815	-	159,169,815	-

Director, Executive and Employee Share Plan shares issued to key management personnel and Directors 30 September 2016

On 30 September 2016, 128,169,815 shares were issued to executives and employees of the Company at an issue price of 5 cents per share and corresponding non-recourse loans totalling \$6,408,491 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: \$0.05 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 29 September 2023)
- Tenure condition for 60%: remains eligible employee for 36 months after date of issue
- Tenure condition for further 20%: remains eligible employee for 48 months
- Tenure condition for the remaining 20% : remains eligible employee for 60 months
- The Earnings Condition will be satisfied for each year tranche if at least 95% of the current internal board approved expected earnings before interest tax depreciation and amortisation (EBITDA) for that year is achieved.
- Share Value Condition: Provided the Tenure Condition has been satisfied but the Earnings Condition has not been satisfied with regards to a particular tranche, if at any time after that year and during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Take Over Provision: Where a takeover bid for the Company's issued shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued shares, all restriction conditions applying to any Shares will be immediately waived, or
- Compromise or Arrangement: Where a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company, all restriction conditions applying to any Shares will be immediately waived, or

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 4 : Share-based payments (continued)

- Death and Permanent Disability: Where an Eligible Employee dies or as a result of a total and permanent disability fails to meet any Tenure Condition with regards to a particular tranche, the loan will remain in place and at any time during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Good Leaver Exceptions: The approved Executive & Employee Share Plan provides the Board discretion to waive restriction conditions in certain circumstances.
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 30 September 2016

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

The fair value at grant date of \$643,294 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

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

- exercise price is \$0.05
- market price of shares at grant date, \$0.033
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 1.50%
- time to maturity, 5 years; and
- a dividend yield of 0%

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.

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 \$12,178 for the half-year ended 31 December 2016.

(b) Underwriter Share Plan

On 7 October 2016, 15,000,000 options were issued to the company's advisors for underwriting services related to the capital raising finalised on the 10 October 2016. The options were issued at a price of 0.01 cents per option.

	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the half-year	Forfeited during the half-year	Balance at end of the half-year	Vested at the end of the half- year
Advisors (Underwriter)	07-Oct-16		0.001	-	15,000,000	-	15,000,000	-
Total			0.001	-	15,000,000	-	15,000,000	-

The fair value at grant date of \$10,735 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.07
- market price of shares at grant date, \$0.033
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 1.50%
- time to maturity, 3 years; and
- a dividend yield of 2%

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 4 : Share-based payments (continued)

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

The value of the instruments has been recorded as a capital raising cost.

(b) Expenses arising from Share-based payments

Employee and Executive Share Plan shares	116,551
Options issued to Underwriters	2,449
	119,000

Note 5 : Property, plant & equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 30 June 2016				
Cost	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
Half-year ended 31 December 2016				
Opening net book amount	22,541,807	75,330	49,540	22,666,677
Additions	148,763	40,110	-	188,873
Depreciation charge	(525,182)	(16,939)	9,590	(532,531)
Impairment Charge	-	-	-	-
Disposals	(263,502)	-	(22,164)	(285,666)
Closing net book amount	21,901,886	98,501	36,966	22,037,353
At 31 December 2016				
Cost	28,458,160	398,913	248,814	29,105,887
Accumulated depreciation	(6,292,772)	(300,412)	(189,684)	(6,782,868)
Impairment Charge	-	-	-	-
Disposals	(263,502)	-	(22,164)	(285,666)
Net book amount	21,901,886	98,501	36,966	22,037,353

(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.

	31 December 2016	30 June 2016
	\$	\$
Plant and equipment	25,929	60,096

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 6 : Income tax benefit / Deferred Tax Asset

	31 December 2016	30 June 2016
	\$	\$
(a) Deferred tax asset		
Recognition of deferred tax asset	2,206,266	2,874,095
(b) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	7,354,220	7,354,220
Deferred tax asset @ 30%	2,206,266	2,206,266

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

The Company has investigated the availability of the carry forward tax losses in respect of Divisions 165, 166 and 175 of the Income Tax Assessment Act 1997 (being the satisfaction of the continuity of ownership tests, or alternatively the satisfaction of the same business test and their non preclusion by the income injection provisions) and has formed the opinion that it is more likely than not that the Company will not be prevented from deducting all of its accumulated losses as at 31 December 2016 by virtue of these divisions of the Income Tax Assessment Act 1997.

(c) Significant Estimates & Judgements

Deferred tax assets and liabilities have been brought to account as at 31 December 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 can be claimed.

The Deferred Tax Assets is recognised as being recoverable based on internal sales budgets and profit projections.

Note 7 : Trade and other payables

	31 December 2016	30 June 2016
	\$	\$
Trade and other payables from operations	7,159,510	6,732,763
Payables for capital equipment	211	463,226
	7,159,721	7,195,989

Note 8 : Borrowings

Contractual maturities of financial liabilities

At 31 December 2016	< 1 year	1 - 2 years	2 - 5 years	Total contractual cash flows	Carrying Value
Trade payables	5,100,170	-	-	5,100,170	5,100,170
Other payables	2,124,909	-	-	2,124,909	2,124,909
Loans & leases	1,017,111	335,441	2,341,289	3,693,841	2,065,359
Total Payable	8,242,191	335,441	2,341,289	10,918,921	9,290,438

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 8 : Borrowings (continued)

Contractual maturities of financial liabilities

At 30 June 2016	< 1 year	1 - 2 years	2 - 5 years	Total contractual cash flows	Carrying Value
Trade payables	5,197,558	-	-	5,197,558	5,167,364
Other payables	2,071,186	-	-	2,071,186	1,861,003
Loans & leases	10,629,675	335,441	341,289	11,306,405	9,612,564
Total Payable	17,898,419	335,441	341,289	18,575,149	16,640,931

Company executed a binding facility agreement with the Commonwealth Bank of Australia ("CBA") to provide a \$5 million revolving credit facility and a \$1 million cash advance facility. The new \$5 million revolving credit facility has a term of three years and is an interest only, revolving facility secured against company assets with a fixed and floating charge. At 31 December 2016 the company had drawn down \$2 million. No breaches of covenants in regards to this facility have been recorded during the half year ended 31 December 2016.

Note 9 : Contributed equity

	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Shares	Shares	\$	\$
(a) Share Capital				
Ordinary shares Fully paid	859,451,637	426,332,293	33,742,064	26,012,998
	2016	2015	2016	2015
	Shares	Shares	\$	\$
(b) Movement in contributed equity:				
1 July (opening balance)	426,332,293	395,332,293	26,012,998	26,012,998
New shares issued				
<i>Issues of shares during the half-year</i>				
Ordinary shares issued (Employee loan Shares)	128,169,815	31,000,000	-	-
Ordinary shares issued (Rights Issue)	404,965,834	-	10,124,146	-
Shares cancelled	(100,016,305)	-	(1,562,755)	-
Capital Raising Costs	-	-	(832,325)	-
31 December (closing balance)	859,451,637	426,332,293	33,742,064	26,012,998

At 31 December 2016 there were 859,451,637 ordinary shares on issue.

Note 10 : Contingencies

Contingent liabilities and assets

There are no material contingent liabilities or contingent assets of the Company at 31 December 2016.

Note 11 : Events occurring after reporting date

No matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2016

Note 12 : Fair Value Financial Instruments

Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

The Company does not have any financial instruments that are not measured at fair value.

Note 13 : Segment Reporting

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

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

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

	31 December 2016 \$	31 December 2015 \$
Revenue from external sources	13,841,761	13,631,224
Net profit (loss) before tax	2,073,559	1,073,461
Reportable segment assets	35,487,710	33,850,641
Reportable segment liabilities	9,495,980	17,112,708

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.

Note 14 : Related Party Transactions

Loans to key management personnel

Pursuant to the Executive and Employee Share Plan as disclosed at Note 4, the following non-recourse loans relating to the issue of incentive shares have been entered into:

	31-Dec-16	Balance at the start of the half- year	Loans provided during the half- year	paid back by the Employee	Interest paid and payable for the half-year	Interest not charged	Balance at the end of the half- year
Directors							
Ian Olson	-	-	612,986	-	-	-	612,986
Robert Gould	-	-	612,986	-	-	-	612,986
John Hoedemaker	372,000	-	1,532,466	-	-	-	1,904,466
Executive Key Management							
Aaron Heary	194,407	-	1,532,466	-	-	-	1,726,872
Marcel Brandenburg	270,600	-	306,493	-	-	-	577,093
Total	837,007	837,007	4,597,397	-	-	-	5,434,403

All loans to key management personnel are in relation to the non-recourse loan funded shares under the terms and conditions of the Executive and Employee Share Plan as approved by shareholders.