

Appendix 4D Half-Year Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the half-year ended 31 December 2018

Results for announcement to the market

Revenue from ordinary activities	up	27%	to	\$17,500,534
Profit from ordinary activities after tax attributable to members	up	111%	to	\$887,804
Net profit attributable to members	up	111%	to	\$887,804

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	31 December
	2018	2017
	\$	\$
	0.03	0.03

Details of controlled entities

On the 20th of September 2018 Gage Roads Brewing Co Ltd completed the acquisition of 100% of the shares in Matso's Broome Brewing Pty Ltd for \$13.1 million cash and a contingent consideration based on sales volume targets being achieved over a three-year period.

There were no controlled entities 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 2018. The previous corresponding period is the half-year ended 31 December 2017.

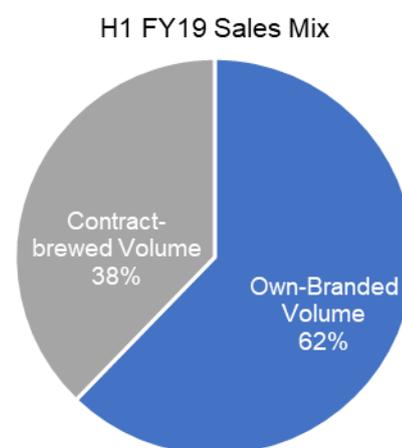
Commentary on the results for the half-year ended 31 December 2018

H1 FY19 HIGHLIGHTS

- Proprietary brand sales grew to 62% of overall sales mix[^]
- GRB brand sales to independent retailers up 64%[^]
- Gage Roads draught sales up 69%[^]
- Total proprietary brands volume (incl. Matso's) up 96%[^]
- Gross profit 66% (H1 FY18: 59%)
- H1 FY19 EBITDA of \$2.1 million up 59% (H1 FY18: \$1.3m)
- Filled key Good Drinks sales management roles in WA and on the east coast
- First year of Optus Stadium contract complete, over 1 million litres sold

[^]in comparison to H1 FY18

Sales in million Litres	H1 FY19	H1 FY18	Growth
Underlying Gage Roads Brands	2.4	1.7	38%
“Brand-in-hand” volume	0.5	0.1	376%
Total Gage Roads branded volume	2.9	1.8	58%
Matso's Brands	0.7	-	100%
Total Good Drinks volume	3.6	1.8	96%
Contract-Brewed Products	2.2	2.4	-7%
Total Volume	5.8	4.2	38%



We are pleased to present another half-year of strong growth, continuing the trend set by previous periods that have driven increased earnings and ultimately higher value for our shareholders.

Gage Roads continues to deliver on key leading indicators of the 5-year proprietary brand strategy. In summary, this strategy seeks to increase the awareness of its proprietary brands and expand those brands into broader markets, driving incremental sales through the retail and on-premise channels to market.

Greater consumer awareness combined with expanded access to these channels is expected to continue to increase annual volumes of our brands, delivering further improved margins and sustained earnings growth through the shift in sales mix towards higher-margin proprietary products.

H1 SALES AND EARNINGS RESULTS

Sales

Sales to the independent retail channel - a key driver of growth for our brands – are up 64% over H1 FY18 and form a meaningful portion of all GRB-branded retail sales. Single Fin Summer Ale has continued to outperform in this market and is a key contributor to the improved result, having been independently recognised as the fastest growing craft beer brand in Australia (IRI MarketEdge MAT 04/11/18).

Sales into the national retail chains have also improved, up 13% on H1 FY18.

Higher margin, on-premise draught sales have continued to perform well, delivering a total sales uplift of 136% over H1 FY18. Excluding draught volume sold under our “brand-in-hand” strategy, draught sales have improved by 69%.

We continue to see success with our cost-neutral “brand-in-hand” marketing strategy, achieving increased sales through greater brand awareness. In our first year of the stadium supply contract, sales to Optus Stadium for the calendar year 2018 have exceeded 1 million Litres and have delivered earnings that have fully offset the costs of the strategy.

Strong growth across all channels resulted in total Gage Roads brands' sales for the half-year being up 58% to 2.9 million Litres. Underlying sales, which exclude sales of draught sales to Optus Stadium and other marketing events under our "brand-in-hand" strategy, represent 2.4 million Litres, up 38% in comparison to H1 FY18 (1.7 million Litres).

During the half-year, we also successfully on-boarded the Matso's brands into the Good Drinks product portfolio. Since the acquisition in late September, the brands have performed as expected and the business is starting to see growth as we apply our sales and marketing capabilities to the brands.

Consistent with our 5-year strategy, contract brewing volumes continue to be unwound in an orderly manner. Accordingly, sales volumes of the Company's contract-brewing division were down 7% compared with H1 FY18.

Earnings

The Company recorded sales revenues of \$17.5 million for the half-year, up 21% over those achieved in the previous corresponding period. The continued shift in the product mix towards the Company's proprietary brands has lifted the overall gross profit margin from 59% to 66%, on track with our FY21 target of 70%.

Consistent with our 5-year strategy the business has continued to invest in our sales and marketing capabilities, increasing sales and marketing expenditure by \$1.8 million and also accounting for an additional \$0.6 million in employee expenses.

Overall, the Company recorded an EBITDA result of \$2.1 million for H1 FY18 (up \$0.8 million, 61%, from H1 FY18: \$1.3 million). The timing of the acquisition of the Matso's brands in late September meant that H1 FY19 contained only one quarter of earnings from those brands. With the earnings from those brands available for the full H2 FY19, the Company expects to exceed those earnings generated in the first half of the year.

CASHFLOW AND BALANCE SHEET

During the half-year the Company spent \$13.1 million acquiring Matso's Broome Brewing Pty Ltd (\$0.8 million Inventories, \$0.1 million plant and equipment and \$12.1 million in intangible brand assets), which was funded through a \$10 million placement and a \$2 million share purchase plan as well as operating cash. The Company invested \$1.8 million in plant improvements, including a small-scale canning line, flash pasteurisation capabilities and additional tank capacity.

The Company also built up inventories during the half-year to meet forecast summer demand and with a one-off increase in trade debtors as a result of funding the initial sales of Matso's brands, net operating cash outflows were \$0.4 million for the half year.

After absorbing the impact of these changes to operations, the Company ended the half-year with cash reserves of \$4.8 million and with additional headroom in its credit facility (to an approved limit of \$6 million) the Company is in a strong position, providing an excellent financial platform from which to continue to execute its proprietary brand strategy.

GOOD DRINKS EAST COAST STRATEGY

The Company is progressing its Good Drinks Strategy which centres around expanding our national sales and marketing capability under the trade facing brand of "Good Drinks", developing a platform to house and represent multiple separate brands. The Good Drinks Strategy is also increasing consumer facing events and developing brewery taproom venues around Australia. The strategy is targeting increased consumer awareness and sales of the Good Drinks portfolio. The Company has appointed John-Paul Murphy as Head of Sales of its national sales and distribution division Good Drinks and is establishing the sales head office in Sydney.

The Company is also in advanced negotiations to settle on a site for its first brewery taproom venue and will announce to the market further information once a lease has been entered into. As previously announced, these venues are designed to create important consumer touch points and help engage with local on-premise and off-premise trade and contribute towards building regionally relevant brands in those markets.

As part of its “Brand-in-Hand” marketing strategy, the Company has recently supported major east coast events including the St Kilda Festival in Victoria and Field Day and Rugby 7’s in NSW

OUTLOOK FOR FY19

- Good Drinks brands growth and 5-year strategy on track to deliver margin growth and earnings targets for FY19 and beyond
- Continuing distribution and sales growth opportunities in the independent channel
- National chain volumes in line with expectations and commitments
- Opportunities to continue to shift proprietary brands beyond the current sales mix to drive margin growth
- The Company is finalising its feasibility study around expanding the canning capabilities of the business
- Focus for Good Drinks:
 - Relocate sales head office to Sydney
 - Establish consumer and trade facing branded taproom and brewery venues in key states
 - Increasing national marketing visibility and consumer awareness
 - Increasing partnerships and events to complement growing east coast distributions
 - Increase sales capabilities

With a flexible balance sheet, a management team strongly-aligned to shareholders, existing revenue streams secured and enhanced ability to drive revenue and margin growth, Gage Roads is well placed to deliver growth in earnings and sustained value for our shareholders.

Managing Director John Hoedemaker said the first half-year provided a strong foundation for the remainder of the year:

“We’re pleased to deliver another strong half-year of growth, both in sales and earnings and we’re pleased to see that all the key targets we have set as part of the 5-year Proprietary Brand Strategy are being delivered.

“We look forward to continued growth of our proprietary brands through all channels and to deliver incremental earnings and value to our shareholders.”

John Hoedemaker
Managing Director

Please refer to the attached Financial Report for the half-year ended 31 December 2018 for further information.

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.

Signed:


Company Secretary

Date: 28 February 2019

Name:

Marcel Brandenburg



**GAGE ROADS BREWING CO LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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 2018, 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 2018

Corporate Directory

Directors

Graeme Wood
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

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 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 2018

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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2018

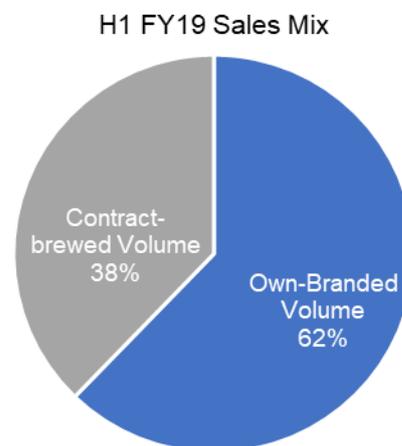
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Review of Operations
For the Half-Year Ended 31 December 2018

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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2018

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John Hoedemaker
Managing Director

**Gage Roads Brewing Co Ltd
Directors' Report
For the Half-Year Ended 31 December 2018**

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2018.

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.

Graeme Wood
Ian Olson (Chairman)
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.

During the half-year, the Company completed the acquisition of Matso's Broome Brewing Pty Ltd.

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

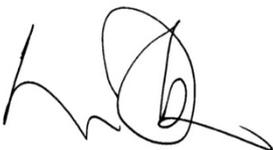
The profit of the Company for the half-year ended 31 December 2018 after providing for income tax amounted to \$887,804 (2017: \$420,625).

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 2019

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 2018, 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.

This declaration is in respect of Gage Roads Brewing Co. Ltd and the entity it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2019

Gage Roads Brewing Co Ltd
Directors' Declaration
For the Half-Year ended 31 December 2018

The Directors of the Group declare that:

- (a) The financial statements and notes set out on pages 12 to 23 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 Group's financial position as at 31 December 2018 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 Group 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 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gage Roads Brewing Co. Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Gage Roads Brewing Co. Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 28 February 2019

Gage Roads Brewing Co Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year ended 31 December 2018

	Notes	31 December 2018 \$	31 December 2017 \$
Revenue from continuing operations			
Sales revenue		17,500,534	13,797,779
Interest revenue		16,891	1,579
	4	17,517,425	13,799,358
Other income	4	120,902	161,776
Raw materials, consumables & delivery		(6,002,648)	(5,716,853)
Operating expenses		(1,866,846)	(1,612,591)
Employee expense		(4,212,557)	(3,650,287)
Depreciation and amortisation expense		(678,046)	(591,057)
Sales and marketing		(2,874,395)	(1,098,130)
Administration costs		(259,637)	(240,965)
Occupancy costs		(323,858)	(332,681)
Finance costs		(45,807)	(51,266)
Profit before income tax		1,374,533	667,303
Income tax (expense)		(486,729)	(246,678)
Net Profit attributable to the members of Gage Roads Brewing Co Ltd		887,804	420,625
<i>Comprehensive Income</i>			
Items that may be reclassified to profit or loss:			
Cashflow Hedges		157,911	(114,220)
<i>Total Comprehensive Income for the half year</i>		1,045,714	306,405
Profit per share attributable to the members of Gage Roads Brewing Co Ltd			
Basic and diluted profit per share (cents)		0.09	0.05
Diluted profit per share		0.09	0.05

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

Gage Roads Brewing Co Ltd
Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	31 December 2018 \$	30 June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,803,651	16,889,229
Trade and other receivables	6	9,762,703	4,441,134
Inventories		3,366,675	2,613,602
Total current assets		17,933,030	23,943,965
Non-current assets			
Property, plant and equipment	7	23,759,949	22,740,991
Intangible assets	8	12,902,251	118,813
Deferred tax asset	9	299,759	786,489
Total non-current assets		36,961,959	23,646,292
Total assets		54,894,989	47,590,257
LIABILITIES			
Current liabilities			
Trade and other payables	10	13,029,655	8,904,740
Provisions		327,333	277,573
Total current liabilities		13,356,988	9,182,313
Non-current liabilities			
Provisions		11,441	83,756
Total non-current liabilities		11,441	83,756
Total liabilities		13,368,429	9,266,069
Net assets		41,526,560	38,324,188
EQUITY			
Contributed equity	11	45,106,313	43,042,933
Hedge Reserve		73,491	(84,420)
Share options reserve		1,910,490	1,817,213
Accumulated losses		(5,563,734)	(6,451,538)
Total equity		41,526,560	38,324,188

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

Gage Roads Brewing Co Ltd
Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2018

	Contributed equity \$	Accumulated Losses \$	Share Option reserve \$	Hedge Reserve	Total equity \$
At 1 July 2017	33,742,064	(8,515,248)	1,537,750	(341,378)	26,423,188
Total comprehensive income for the half-year	-	420,625	-	(114,220)	306,405
Transactions with equity holders in their capacity as equity holders:					
Issue of share capital, net of transaction costs	(2,496)	-	-	-	(2,496)
Employee and other share options expensed	-	-	148,063	-	148,063
At 31 December 2017	33,739,569	(8,094,623)	1,685,813	(455,598)	26,875,160
Comprehensive Income					
Profit for the period	-	1,643,086	-	-	1,643,086
Other Comprehensive income	-	-	-	371,178	371,178
Total comprehensive income for the half-year	-	1,643,086	-	371,178	2,014,264
Transactions with equity holders in their capacity as equity holders:					
Issue of share capital, net of transaction costs	9,303,365	-	-	-	9,303,365
Employee share plan shares expensed	-	-	131,400	-	131,400
At 1 July 2018	43,042,933	(6,451,537)	1,817,213	(84,420)	38,324,188
Comprehensive Income					
Profit for the period	-	887,804	-	-	887,804
Other Comprehensive income	-	-	-	157,911	157,911
Total comprehensive income for the half-year	-	887,804	-	157,911	1,045,714
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	-	-	-	-	-
Issue of share capital, net of transaction costs	2,063,379	-	-	-	2,063,379
Share buy-back	-	-	-	-	-
Employee and other share options expensed	-	-	93,278	-	93,278
At 31 December 2018	45,106,313	(5,563,733)	1,910,491	73,491	41,526,560

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

Gage Roads Brewing Co Ltd
Consolidated Statement of Cash Flows
For the Half-Year ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities		
Receipts from customers (inc. of GST, WET and Excise Tax)	23,850,041	20,971,804
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	(23,405,649)	(20,922,234)
	444,393	49,570
Interest received	16,891	1,579
Interest paid	(45,807)	(51,266)
Net cash inflow/(outflow) from operating activities	415,477	(117)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,837,474)	(849,789)
Payments for intangibles	(12,646,439)	(20,765)
Proceeds from property, plant and equipment	(126)	16
Net cash outflow from investing activities	(14,484,039)	(870,538)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	2,080,596	-
Share issue transaction costs	(17,216)	(2,496)
Proceeds from borrowings	-	6,096
Repayment of borrowings	-	(2,050,955)
Net cash inflow/(outflow) from financing activities	2,063,379	(2,047,355)
Net decrease in cash and cash equivalents	(12,005,183)	(2,918,010)
Effect of movement in exchange rates on cash held	(80,395)	(62,600)
Cash and cash equivalents at the beginning of the financial half-year	16,889,229	6,986,173
Cash and cash equivalents at the end of the financial half-year	4,803,651	4,005,563

The above Consolidated 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 2018

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 2018 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 Group 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 2018 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, with the exclusion of the new accounting standard and new accounting policies as adopted by the Group as disclosed below:

New accounting policies

(1) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Gage Roads Brewing Co. Limited at the end of the reporting period. A controlled entity is any entity over which Gage Roads Brewing Co. Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the period, the financial performance of those entities are included only for the period that they were controlled. A list of controlled entities is listed below:

- Matsos Brewing Company Pty Ltd

In preparing the consolidated financial statements, all inter-Group balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at amortised cost in the Company's financial statements.

Transactions eliminated on consolidation

Intra-Group balances, and any unrealized gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 1 : Summary of significant accounting policies (continued)

(2) Identifiable intangible assets

Intangible assets acquired separately or in a business combination are initially measured at the lower of cost or fair value cost at the time of acquisition when it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. The Group assesses identifiable intangible assets as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment at least twice a year or whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least each financial year end.

Intangible assets with an indefinite life are assessed for impairment at least twice a year or whenever there is an indication that the intangible asset may be impaired and tested for impairment at least once a year.

Changes in the expected useful life or flow of economic benefits intrinsic in the asset are an accounting estimate and are continually assessed by the Group. The amortisation charge on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income.

(3) Asset acquisition

Where an acquisition does not meet the definition of a business combination the transactions is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured initially at cost and if not available their fair values at the acquisition date.

Where settlement of any part of cash consideration is deferred and/or contingent, the probability of making these future payments are assessed as at acquisition date and measured accordingly. The amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

New and amended standards adopted by the entity

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 July 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The Group has considered AASB 15 in detail and determined that the impact on the Group's sales revenue from contracts under AASB 15 is insignificant for the period.

The Group's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

The Group primarily generates revenue from the sale of alcoholic beverages.

Revenue from the sale of these goods is recognised when control over the inventory has transferred to the customer. Control is generally considered to have passed when:

- physical possession and inventory risk is transferred (including via a third-party transport provider);
- payment terms for the sale of goods can be clearly identified through invoices issued to customers;
- the customer has no practical ability to reject the product where it is within contractually specified limits.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 2 : Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year (in addition to those disclosed within the 30 June 2018 Annual Report) are discussed below.

(a) Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimates lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(b) Indefinite life intangible assets

As part of the asset acquisition the Company acquired an intangible asset being the Matsos Brand. Consideration and significant judgement has been applied by the Group in determining that the Matsos brand has an indefinite useful life in accordance with AASB 138 Intangible Assets. The Group will assess the useful life of this asset at least every reporting date or more frequently if events or changes in circumstances indicate a finite useful life.

(c) Impairment of non-financial assets and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on current cost of capital and growth rates of the estimated future cash flows.

During the year, there were no impairment triggers that would suggest that the carrying value of these assets exceeded its recoverable amount.

(d) Asset vs. business combination

The acquisition of Matso's Broome Brewing Pty Ltd ("Matso's") does not meet the definition of a business combination and as such the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combinations, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(e) Contingent consideration

Management have applied significant judgements in determining the recognition and/or probabilities of the contingent consideration payable on the asset acquisition of Matso's Broome Brewing Pty Ltd. Refer to note 3 for further details.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 3 : Asset Acquisition of Matso's Broome Brewing Pty Ltd

In September 2018 Gage Roads Brewing Co. Ltd. ("GRB") completed the acquisition of 100% of the issued share capital of Matso's Broome Brewing Pty Ltd ("Matso's"). The acquisition represents a major expansion of the Gage Roads brand portfolio and an opportunity to leverage the Groups existing national sales, marketing and distribution capability to deliver sustained earnings growth. Details of the purchase consideration and net assets acquired:

	\$
Purchase consideration:	
Cash paid	13,116,185
Plus direct transaction costs	564,261
Total Purchase Consideration	13,680,446

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value \$
Inventories	866,185
Property, plant and equipment	113,649
Intangible brand asset	12,850,612
Accruals	(150,000)
	13,680,446

In the event that certain pre-determined sales volumes of Matso's products are achieved by each milestone period, a contingent consideration of up to \$2,800,000 may be payable in cash or via the issue of Gage Roads Brewing Co. Ltd shares.

Year 1 Milestone Consideration: 15,000,000 shares or \$1.2 million cash based on sales volume targets

Year 2 Milestone Consideration: 15,000,000 shares or \$1.2 million cash based on sales volume targets

Year 3 Milestone Consideration: 5,000,000 shares based on sales volume targets

As at 31 December 2018, Gage Roads Management consider the contingent consideration possible but not probable, based on sales volumes for the first three months of operating results. The milestone methodology of calculating the contingent consideration requires certainty of annual sales volumes and therefore as at 31 December 2018, the contingent consideration cannot be measured reliably. The sales volume position will be re-assessed as at 30 June 2019 to determine if the contingent consideration has become probable, at which time an estimated liability and corresponding increase to the intangible asset value would be recognised.

Note 4 : Revenue & Other Income

	31 December 2018	31 December 2017
	\$	\$
<i>Revenue</i>		
Sale of goods	26,497,983	19,862,771
Less: Excise tax & WET collected	(8,997,450)	(6,064,992)
Total sale of goods	17,500,534	13,797,779
Interest	16,891	1,579
	17,517,425	13,799,358
<i>Other income</i>		
Foreign Exchange Profit/ (Loss)	(36,139)	3,524
Warehousing Services	35,199	61,864
Other	121,842	96,388
	120,902	161,776

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 5 : Expenses

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

	31 December 2018	31 December 2017
	\$	\$
<i>Employee Expense</i>		
Employee and other share-based payment expense	93,278	148,063

Note 6 : Trade and other receivables

	31 December 2008	31 December 2007
	\$	\$
	31 December 2018	30 June 2018
	\$	\$
Trade Receivables	8,192,926	2,774,491
Prepayments	1,569,777	1,666,644
Trade and other receivables	9,762,703	4,441,134

Note 7 : Property, plant & equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 30 June 2018				
Cost	30,554,658	530,674	239,787	31,325,119
Accumulated depreciation	(7,967,069)	(401,597)	(215,462)	(8,584,128)
Net book amount	22,587,589	129,077	24,325	22,740,991
Half-year ended 31 December 2018				
Opening net book amount	22,587,589	129,077	24,325	22,740,991
Additions	1,607,806	76,320	-	1,684,126
Depreciation charge	(617,984)	(44,988)	(2,196)	(665,168)
Disposals	-	-	-	-
Closing net book amount	23,577,411	160,409	22,129	23,759,949
At 31 December 2018				
Cost	32,162,464	606,994	239,787	33,009,245
Accumulated depreciation	(8,585,053)	(446,585)	(217,658)	(9,249,296)
Disposals	-	-	-	-
Net book amount	23,577,411	160,409	22,129	23,759,949

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 7 : Property, plant & equipment (continued)

(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 2018	30 June 2018
	\$	\$
Plant and equipment	1,947,536	818,896

Note 8 : Non-current assets - intangibles

	31 December 2018	30 June 2018
	\$	\$
Intellectual property	338,216	303,886
Accumulated amortisation of intellectual property	(286,577)	(273,576)
Total intellectual property	51,639	30,310
Matso's intangible brand asset	12,850,612	88,503
Total Matso's Intangible assets	12,850,612	88,503
Total Intangible Assets	12,902,251	118,813

As part of Matso's asset acquisition disclosed within Note 3, the Group acquired an intangible brand asset to the value of \$12,850,612. The Group has recognised the intangible asset as having an indefinite useful life and will periodically assess the assets for indicators of impairment as disclosed within the critical accounting judgements, estimates and assumptions note 2.

Note 9 : Income tax benefit / Deferred Tax Asset

	31 December 2018	30 June 2018
	\$	\$
(a) Deferred tax asset		
Recognition of deferred tax asset	299,759	786,489
(b) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	999,198	2,621,630
Deferred tax asset @ 30%	299,759	786,489

Deferred tax assets and liabilities have been brought to account as at 31 December 2018 after considering the level of tax losses carried forward and available to the Group against future taxable profits and the probability within the future that taxable profits will be available against which the benefit can be claimed. The Group 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 Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 9 : Income tax benefit / Deferred Tax Asset (continued)

The Group 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 Group will not be prevented from deducting all of its accumulated losses as at 31 December 2018 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 2018 after considering the level of tax losses carried forward and available to the Group 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 10 : Trade and other payables

	31 December 2018	30 June 2018
	\$	\$
Trade and other payables from operations	12,918,432	8,691,151
Payables for capital equipment	111,224	213,589
	13,029,655	8,904,740

Note 11 : Contributed equity

	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	Shares	Shares	\$	\$
(a) Share Capital				
Ordinary shares				
Fully paid	1,011,556,217	988,026,855	45,106,313	43,042,933
	2018	2018	2018	2018
	Shares	Shares	\$	\$
(b) Movement in contributed equity:				
1 July (opening balance)	988,026,855	859,451,637	43,042,933	33,742,064
New shares issued				
<i>Issues of shares during the half-year</i>				
Ordinary shares issued (Employee loan Shares)	-	10,928,160	80,600	-
Ordinary shares issued (Rights Issue)	23,529,362	117,647,058	1,999,995	10,031,000
Shares cancelled	-	-	-	-
Capital Raising Costs	-	-	(17,216)	(730,131)
31 December (closing balance)	1,011,556,217	988,026,855	45,106,313	43,042,933

At 31 December 2018 there were 1,011,556,217 ordinary shares on issue.

Note 12 : Contingencies

Contingent liabilities and assets

There are no material contingent liabilities or contingent assets of the Group at 31 December 2018 other than those relating to the Matso's acquisition within Note 3.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2018

Note 13 : Events occurring after reporting date

No matter or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Note 14 : Fair Value Financial Instruments

Recurring fair value measurements

The Group has forward foreign exchange contracts as part of a hedging strategy against fluctuation in the USD foreign exchange rate. The fair value of these contracts at period end was \$73,491 and was based on level 2 valuation inputs.

Fair values of financial instruments not measured at fair value

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

Note 15 : Segment Reporting

The consolidated entity is monitored and managed as one overall operating segment. The processes from brewing production to retailing are consistent for all products and as they exhibit similar economic characteristics, they meet the AASB 8 criteria for aggregation.

The Gage Roads Board and management monitors the group as one overall brewing segment based on overall net profit level and production volumes. This Group's internal reporting framework is considered the most relevant to assist the chief operating decision maker in assessing the allocation of group resources and overall operating activities.

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

	31 December 2018 \$	31 December 2017 \$
Revenue from external sources	17,500,534	13,797,779
Net profit (loss) before tax	1,374,533	667,303
	31 December 2018	30 June 2018
Reportable segment assets	54,894,989	47,590,257
Reportable segment liabilities	13,368,429	9,266,069

Woolworths Limited, Liquid Mix (WA) Pty Ltd. and Australian Liquor Marketers Pty Ltd. are major customers of the group as defined by AASB 8, as revenue from each customer exceeds 10% of total revenue from external sources.