



P R O S P E C T U S

Gage Roads Brewing Co Limited
ABN 22 103 014 320

An offer of 10 million shares at 40 cents each to raise \$4 million dollars.
Lead Manager: Patersons Securities Limited.

CORPORATE DIRECTORY

Directors

Michael Perrott
Peter Nolin
Bill Hoedemaker
John Hoedemaker
Paul McKenzie

Company Secretary
John Hoedemaker

Corporate & Taxation Advisers

PKF Corporate Advisory Services (WA) Pty Ltd
Level 7, BGC Centre
28 The Esplanade
PERTH WA 6000

Lead Manager

Patersons Securities Limited
Level 23
2 The Esplanade
PERTH WA 6000

Registered Office

14 Absolon Street
PALMYRA WA 6157
Telephone: (08) 9331 2300
Facsimile: (08) 9331 2400

Website

www.gageroads.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH WA 6000

GPO Box D182
PERTH WA 6840

Investor Enquiries: 1300 557 010

Legal Adviser

Steinepreis Paganin
Lawyers and Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Auditor

Horwath Audit (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Investigating Accountant

Horwath Securities (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Important Notice

This Prospectus is dated 8 November 2006 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered speculative.

Website – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.gageroads.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

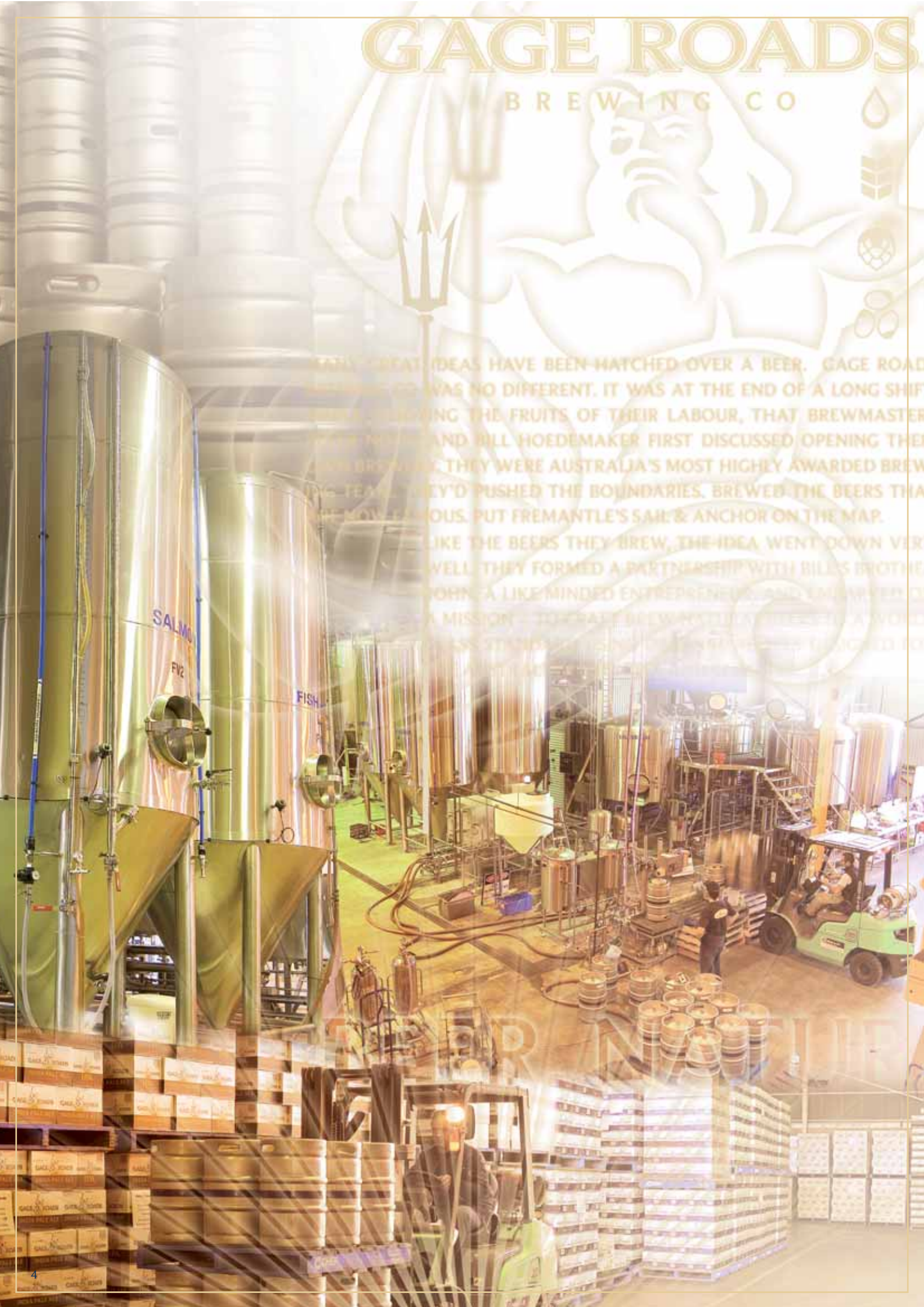
Applications for securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

GAGE ROADS

BREWING CO

MANY GREAT IDEAS HAVE BEEN HATCHED OVER A BEER. GAGE ROAD BREWING CO WAS NO DIFFERENT. IT WAS AT THE END OF A LONG SHIFT WHILE ENJOYING THE FRUITS OF THEIR LABOUR, THAT BREWMASTER JOHN HOEDENBERG AND BILL HOEDEMAEKER FIRST DISCUSSED OPENING THEIR OWN BREWERY. THEY WERE AUSTRALIA'S MOST HIGHLY AWARDED BREWING TEAM. THEY'D PUSHED THE BOUNDARIES, BREWED THE BEERS THAT WERE FAMOUS, PUT FREMANTLE'S SAIL & ANCHOR ON THE MAP.

LIKE THE BEERS THEY BREW, THE IDEA WENT DOWN VERY WELL. THEY FORMED A PARTNERSHIP WITH BILL'S BROTHER JOHN, A LIKE-MINDED ENTREPRENEUR, AND EMILY, EVERYONE'S FAVORITE. A MISSION - TO RAISE BEER DRINKING TO A WORLD CLASS STANDARD, USING ONLY THE BEST INGREDIENTS, TOUGHED BY THE KNOWLEDGE OF THE GAGE ROAD BREWING CO.



Investment Highlights

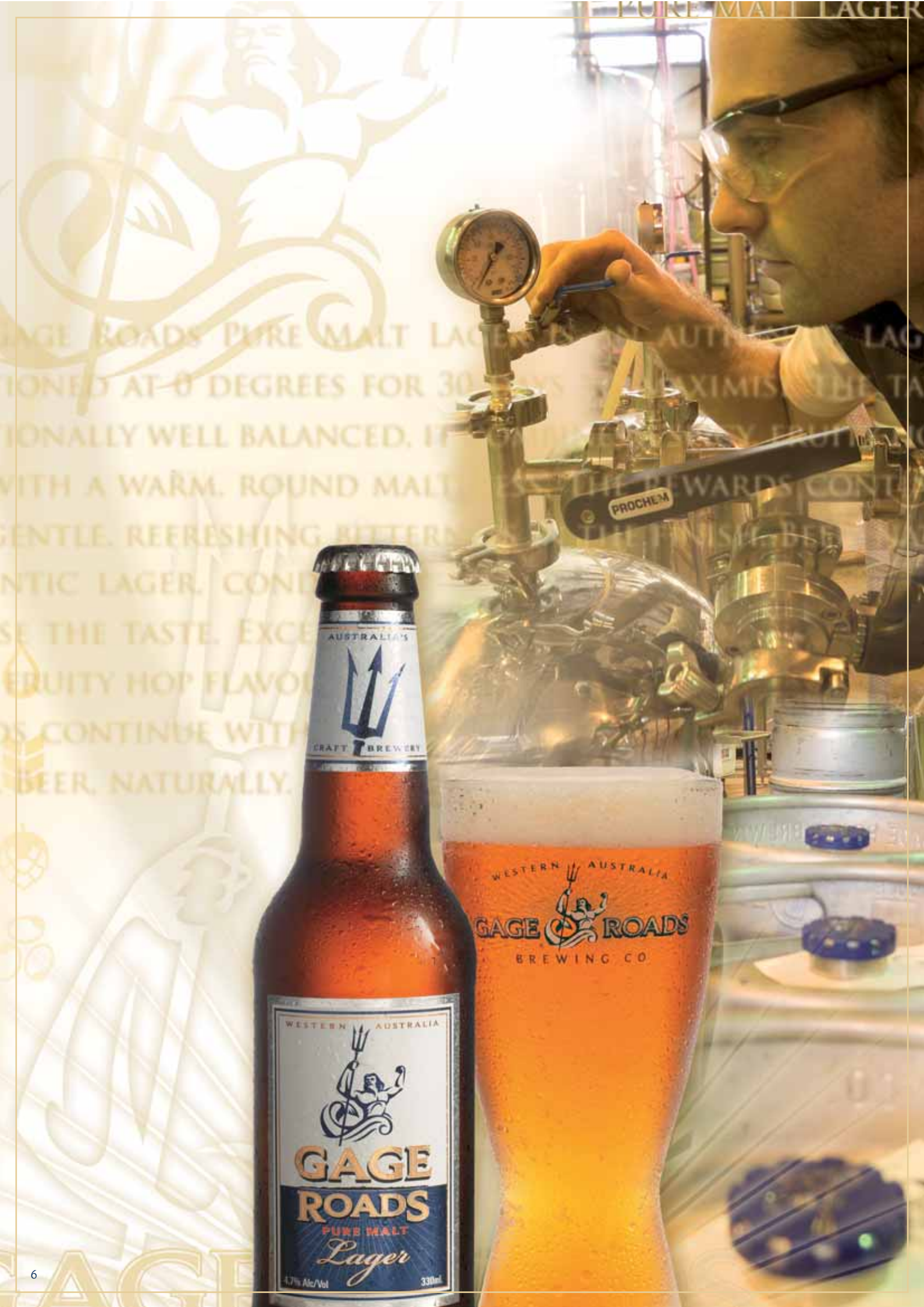
1. Gage Roads Brewing Co Limited is seeking to raise \$4,000,000 by way of the issue of Shares at an issue price of \$0.40 to fund the Company's national brand building aspirations.
2. Founded by one of the most highly awarded brewing teams in the country, Gage Roads is one of Australia's largest independent craft breweries.
3. Gage Roads has established a range of boutique beers positioned in the fast growing premium beer market.
4. The premium beer market in Australia has shown strong growth of 15.4% over the past 5 years and recorded growth of 26% for the year to March 2006.^{iii,x} (For footnotes see page 43, Section 4, Independent Market Report.)
5. Through an exclusive national distribution agreement with the Hardy Wine Company, Gage Roads has access to one of the most comprehensive distribution channels in Australia and is rapidly expanding both brand recognition and sales.
6. Gage Roads' award winning packaging and marketing provides a definitive style that sets the product apart as a sophisticated, contemporary Australian brand.
7. At the 2006 Australian International Beers Awards, Gage Roads won a medal for every product submitted and was in the running for Best New Exhibitor.
8. Following the completion of the Offer, the Company will be in a position to provide the resources necessary to fulfil the strategic objective of becoming one of Australia's leading premium beer brands.



Investment Risks

Prospective investors in the Company should be aware that subscribing for Shares subject to this Prospectus involves a number of risks. These risks are set out in Section 6 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 6, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future, affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.



Offer Summary

Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Business Overview and Objectives

Gage Roads Brewing Co (Gage Roads or the Company) was conceived to capitalise on the changing trends in consumer preference towards premium products with the intention of creating a portfolio of premium national beer brands. Established in 2003, the Company has quickly grown to become one of Australia's largest independent craft breweries, currently producing a range of three craft brewed beers, and is well positioned in the fast growing premium segment of the beer market.

Whilst the segment has experienced strong growth in recent years, premium and craft brewed beers represent only a fraction of the total beer market in Australia and there is an expectation that the premium segment of the beer market will continue to grow and consolidate, both within Australia and internationally. This provides an opportune environment for the next phase of growth for the Company. For a more detailed overview of the Australian beer market, please refer to the Independent Market Report in Section 4.

Growth Outlook

The strategic objective of the Company is to capitalise on the current market for its range

of products, leveraging the opportunities afforded by the exclusive national distribution agreement with the Hardy Wine Company. While maintaining and developing its trade relationships in Western Australia, Gage Roads plans to deploy additional resources along the eastern seaboard of Australia, which to date has accounted for only a fraction of the Company's sales.

It is expected that growth in both sales and retail outlets will be accomplished through the execution of a multifaceted marketing plan, supported by a strategic sales effort in new markets. Leveraging the economies of scale afforded by the Company's brewing capacity, Gage Roads is well positioned to compete in this dynamic market segment.

Gage Roads is seeking to establish its range of products as national premium beer brands and possesses the brewing infrastructure, intellectual property, professional management team, distribution channels and customer base to facilitate growth into the future.

Following the completion of the Offer, the Board believes that the Company will have sufficient working capital to achieve these objectives.



PILSNER

GAGE ROADS

GAGE ROADS PILS IS THE FIRST PILSNER STYLE MID
IN AUSTRALIA. IT'S ONLY 3.5% ALCOHOL BY VOLUME
RETAINS ALL THE DISTINCTIVE QUALITIES OF A FULL
EUROPEAN PILSNER: CRISP AND EFFERVESCENT WITH
CRUSHING TASTE. IT'S A MIDSTRENGTH YOU'LL
ENJOY DRINKING. BEER, NATURALLY. PILS IS THE FIR





Indicative Timetable

Lodgement of Prospectus with the ASIC

8 November 2006

Opening Date

16 November 2006

Closing Date

5.00pm WST on 6 December 2006

Shares expected to be allotted

11 December 2006

Despatch of Holding Statements

12 December 2006

Expected date for listing on ASX

15 December 2006

Purpose of the Offer and Use of Proceeds

Proceeds of the Offer are intended to be applied as follows:

Marketing Expenditure	\$1,700,000
Capital Expenditure	\$900,000
Additional Working Capital	\$1,000,000
Costs of Offer	\$400,000
Total	\$4,000,000

Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares	Number
Pro Forma Shares on issue at date of Prospectus ⁱ	25,838,675
New Shares on conversion of Converting Note	1,250,000
Shares now offered	10,000,000
New Shares on exercise of Director Options	7,481,782
Total Shares on issue at completion of the Offer	44,570,457

Options

Pro Forma New Options on issue at date of Prospectus ⁱ	4,730,000
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Total New Options on issue at completion of the Offer	4,730,000
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ⁱ Pursuant to a meeting of Shareholders to be held on 30 November 2006, the Share capital of the Company will be reconstructed and New Options will be issued. Refer to Section 1.2 for details.



Press Campaign Community Newspaper

Letter from the Chairman

8 November 2006

Dear Investor,

As the newly appointed Chairman of Gage Roads Brewing Co Ltd, I'm delighted on behalf of the Board to invite you to invest in our Company.

When invited to join the Board, I was able to review the exciting prospects relating to the beer industry and in particular the development of premium Australian brands. The premium segment of the market is showing strong growth, and if it is to continue to do so as it has in other markets, there is considerable up side in the potential of Gage Roads.

The Company was established just three years ago and in this time has developed a range of premium beers that are gaining brand recognition throughout Australia. Recently the Company entered into an exclusive Distribution Agreement with the Hardy Wine Company, which has played key distribution roles in establishing other well known beer brands in the premium beer market in the past. Gage Roads is currently the only beer in their portfolio of products.

The brewery is located in Palmyra, Western Australia and is in its second year of successful production. The plant is operating efficiently and has the capacity to significantly increase output.

The key executives have been with the Company since its inception and are major stakeholders in the Company. They deserve their reputation as premium beer producers and marketers.

This is an exciting industry and one which I'm pleased to be part of through Gage Roads Brewing Co Ltd. This Prospectus outlines the necessary information upon which you can base your investment decision.

I look forward to welcoming you as a Shareholder of the Company.

Yours faithfully



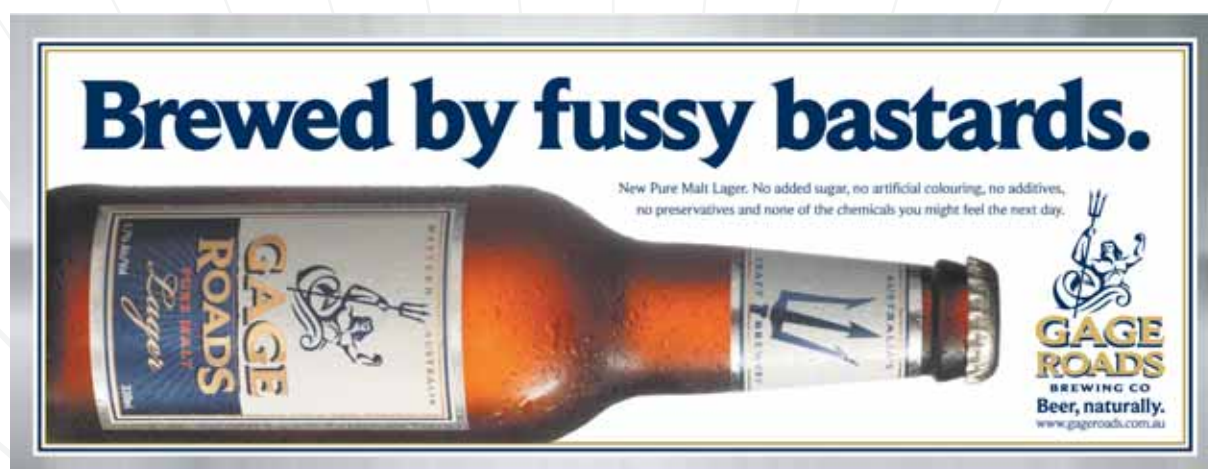
MICHAEL PERROTT
Chairman



BEER, NATURALLY. GAGE ROADS AUSTRALIAN CRAFT BEER. BUILDING THEIR BEER WITH DELICIOUSLY DELICIOUS INGREDIENTS. MEANT THEY WOULD HAVE A SAY IN EVERYTHING. FROM THE SIZE OF THE CRAFT BREWING, TO THE INGREDIENTS CAME FROM - WOULD BE DEDICATED TO CRAFTING THE BEST NATURAL BEER POSSIBLE. TO ALLOW FOR A NATIONAL CAPACITY. ON THE EDGE OF FREMANTLE AND WITH THE RACE WHO SHARED THE BEER. GAGE ROADS BREWING CO. BEER.

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Press Campaign Sydney Morning Herald Newspaper



GAGE ROADS • BEER, NATURALLY.

The name Gage Roads is taken from the pristine seascape
between Fremantle and Rottnest Island.

This stretch of water, like Gage Roads beer itself, epitomises
the relaxed, coastal lifestyle unique to Australia.

1. Details of the Offer

1.1 Description of the Offer

By this Prospectus, the Company offers for subscription 10,000,000 Shares at \$0.40 each to raise \$4,000,000. The net proceeds of the Offer will be used by the Company as set out in Section 1.5.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue, the terms of which are set out in Section 7.

1.2 Capital Structure

Unless otherwise stated, all references to securities in this Prospectus are on a post-consolidation basis assuming the 1 for 2 consolidation proposed at the meeting of Shareholders convened and to be held on 30 November 2006 has been completed.

The table opposite sets out the number of securities on issue and indicative market capitalisation following the Offer.

Shares	Number
Pro Forma Shares on issue at date of Prospectus ¹	25,838,675
New Shares on conversion of Converting Note ²	1,250,000
Shares now offered	10,000,000
New Shares on exercise of Director Options ³	7,481,782
Total Shares on issue at completion of the Offer	44,570,457
Market capitalisation at the Offer Price	\$17,828,183
Options	
New Options proposed to be issued ⁴	4,730,000
Total New Options on issue at completion of the Offer	4,730,000

See Notes, page 16.



Press Campaign Community Newspaper



The table below sets out the ownership of Shares before the Offer and immediately following the Offer.

	Pro Forma Pre-Offer	%	Completion of Offer	%
Existing Shareholders	24,945,649	96.54	24,945,649	55.97
New Shares on conversion of Converting Note	-	-	1,250,000 ²	2.80
Executive Directors	893,026 ³	3.46	8,374,808 ³	18.79
New Shareholders pursuant to the Offer	-	-	10,000,000	22.44
Total	25,838,675¹	100	44,570,457	100

Notes:

¹ At the date of this Prospectus there are 51,677,339 Shares on issue. Pursuant to a meeting of Shareholders to be held on 30 November 2006, the Share capital of the Company will be reconstructed on the basis of 1 Share for every 2 Shares held at the time of the meeting.

This will have the following effect:

Shares	Number
Total Shares on issue prior to reconstruction	51,677,339
Total Shares on issue following reconstruction	25,838,675

² A Converting Note has been issued to RuralAus Investments Limited for \$500,000, which will automatically convert to 1,250,000 Shares following the completion of the Offer. Refer to Section 7.2 for the material terms and conditions of the Converting Note.

³ The Executive Directors hold a total of 13,603,239 Director Options, which will convert to 7,481,782 Shares following

completion of the Offer at an exercise price of \$0.00002 each.

⁴ It is proposed that a total of 4.73 million New Options be issued, with 3.85 million New Options issued to the Directors (subject to Shareholder approval) and 880,000 New Options issued to employees. Shareholder approval will be sought for the grant of the New Options proposed to be issued to the Directors at a Shareholder meeting to be held on 30 November 2006. Details of these New Options are set out in Section 7.1.



Press Campaign West Australian Newspaper



1.3 Purpose of the Offer

The purpose of the Offer is to provide Gage Roads with additional financial flexibility to pursue growth opportunities and to fund the Company's national brand building aspirations.

The Offer will also:

- provide an opportunity for management and employees to invest in the Company;
- improve access to capital markets; and
- provide liquidity to existing Shareholders.

1.4 Condition of Offer

It is a condition of the Offer that the Shareholders of the Company resolve to consolidate the capital of the Company at a meeting of Shareholders convened and to be held on 30 November 2006. If this resolution is not passed by Shareholders, the Offer will not proceed and all application monies provided to the Company will be returned as soon as practicable.

Unless otherwise stated, all references to securities in this Prospectus are on a post-consolidation basis assuming the 1 for 2 consolidation proposed at the meeting of Shareholders convened and to be held on 30 November 2006 has been completed.

1.5 Use of Proceeds

The Company intends to apply the proceeds of the Offer as follows:

Marketing Expenditure	\$1,700,000
Capital Expenditure	\$900,000
Additional Working Capital	\$1,000,000
Costs of Offer	\$400,000
Total	<u>\$4,000,000</u>

Following the completion of the Offer, the Board believes the Company will have sufficient working capital to achieve its objectives.

1.6 Forecasts

Given the stage of development of the Company, the Directors are of the view that it is not possible to include reliable forecasts regarding the future performance of the Company.

1.7 Dividends

The Company must not pay dividends except out of profits. The Board will determine the amount of any dividend to be paid, or otherwise, at the appropriate time.

1.8 Opening and Closing Date of the Offer

The Opening Date of the Offer will be 16 November 2006 at 9am WST and the Closing Date of the Offer will be 6 December 2006 at 5pm WST.

The Directors of Gage Roads (in consultation with the Lead Manager) reserve the right to:

- close the Offer early without prior notice; or
- vary any of the important dates set out in this Prospectus, including extending the Offer Period.

1.9 Applications

Applications for Shares under the Offer must be made using the Application Form.

Payment for the Shares must be made in full at the issue price of \$0.40 per Share.

Applications for Shares must be for a



minimum of 5,000 Shares and thereafter in multiples of 1,000 Shares. Completed Application Forms and accompanying cheques must be mailed or delivered to:

Computershare Investor Services Pty Ltd

Investor Enquiries: 1300 557 010

Delivery Address:

Level 2, 45 St George's Terrace

PERTH WA 6000

Mailing Address:

GPO Box D182

PERTH WA 6840

Completed Application Forms must be received before 5pm WST on the Closing Date of the Offer.

Cheques should be made payable to "Gage Roads Brewing Co Limited – Share Offer Account" and crossed "Not Negotiable".

1.10 Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company in trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies

will be returned by cheque to the applicant within seven (7) days of the allotment date.

1.11 Minimum Subscription

The minimum subscription to be raised pursuant to this Prospectus is \$4,000,000, which is equivalent to full subscription.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

1.12 Lead Manager

Patersons Securities Limited (**Patersons**) has agreed to act as Lead Manager to the Offer. The terms of appointment of Patersons as Lead Manager and the fees payable to Patersons are set out in Section 7.2.

1.13 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

1.14 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction,



WATER



MALT



HOPS



YEAST





or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

1.15 Underwriter

The Offer is not underwritten.

1.16 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Share and Option holders will receive a statement of their

holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

1.17 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares subject to this Prospectus involves a number of risks. These risks are set out in Section 6 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 6, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future, affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

1.18 Enquiries in relation to the Offer and Taxation Consequences

This Prospectus provides information for potential investors in Gage Roads and should be read in its entirety. Australian taxation consequences arising from the Offer will be dependent on each applicant's particular circumstances. If after reading this Prospectus, you have any questions about any aspect of an investment in Gage Roads (including taxation matters), please contact your stockbroker, lawyer, accountant or independent financial adviser.

1.19 Privacy Statement

If you complete an application for Shares, you will be providing personal information to the



Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

1.20 Restricted Securities

Subject to the Company being admitted to the Official List, certain of the Shares and New Options and certain of the Shares to be issued on the exercise of the Director Options, may be classified by ASX as restricted securities and be required to be held in escrow.

Beer is best enjoyed naked.

Gage Roads Pure Malt Lager is a craft beer which revels, unashamedly, in its natural state. That means no added sugar, no artificial colouring, no additives and none of the chemicals you might feel the next day. Nothing but the naked flavour of pure water, hops, malt and yeast, lovingly crafted into a fine Pure Malt Lager. **Beer, naturally.**

WATER MALT HOPS YEAST

Press Campaign West Australian Newspaper

2. Gage Roads Brewing Co Overview

2.1 Board of Directors – Gage Roads Brewing Co

Michael Perrott

(Non-executive Chairman)

Michael brings a wealth of corporate experience to the Board across a broad range of business disciplines. Past roles include Managing Director of Gardner Perrott Group Ltd, sold to Brambles in 1989, and Chairman of Stanley Mining Services, sold to Layne Christianson in 1997. His current directorships include Port Bouvard Ltd (Chair), GME Resources Ltd (Chair), Portman Ltd and Schaffer Corporation Limited.

Michael is a Fellow of the Australian Institute of Management and holds a Bachelor of Commerce degree from the University of Western Australia.

Paul McKenzie

(Non-executive Director)

Paul is a Fellow of the Australian Institute of Company Directors and a director of ASX listed RuralAus Investments Ltd. Paul was president of the Australian Association of Agricultural Consultants (WA) Inc 2004-2006 and holds degrees in Science and Commerce.

Paul is founder and principal consultant with leading agriculture consultancy Agrarian Management with offices in Geraldton, Katanning and Kojonup in Western Australia. Paul was appointed as a non-executive director of the Company in January 2004.

Peter Nolin

(Managing Director – Brewmaster)

Peter is a founding shareholder and Managing Director of Gage Roads. He orchestrated the formulation and implementation of the Company's brand culture and marketing strategies and retains direct oversight of the marketing and public relations activities of the Company. Peter is also responsible for the general management of the business.

Peter recently won a 40 under 40 Award from WA Business News, which acknowledges the top 40 business leaders in Western Australia under 40 years of age.

Peter brings up-market hospitality and retail experience with premium products to his current role. He has been a professional brewer in the premium beer market for ten years and a brewmaster for Gage Roads Brewing Co for the past three years. He has a background in politics and public relations and holds a Bachelor of Arts in Political Science from Kenyon College, Ohio, USA.

Bill Hoedemaker

(Director Operations – Brewmaster)

Bill is a founding shareholder and director of Gage Roads. He has been a professional brewer for eight years, of which four and a half were as a member of the multi-award winning brewing team at the Sail & Anchor Pub Brewery and the last three years as brewmaster for Gage Roads.

Bill is responsible for brewing operations and infrastructure. He successfully sourced, installed and commissioned Gage Roads' brewing



equipment. Bill oversees the brewing operations of the Company, including recipe formulation, quality control, product consistency and cost control.

Bill has substantial experience in the resources industry and brings strengths in process efficiencies and problem solving as well as an in-depth knowledge of practical brewing. Bill holds a Bachelor of Commerce from the University of Western Australia.

John Hoedemaker

(CFO and Director Sales & Distribution)

John is a founding shareholder and director of Gage Roads. He played a key role in developing and implementing the distribution and channel to market strategies of the Company including being an architect of the sales and distribution agreement with the Hardy Wine Company.

John is responsible for the financial, accounting, governance and administration aspects of the business as well as overseeing sales and distribution. He provides experience in sales, distribution, finance, marketing and business administration.

Prior to his involvement with Gage Roads, John was the General Manager and Chief Financial Officer of a successful building products manufacturing business, Architectural & Structural Adhesives (WA) which he managed from a start-up operation through to a trade sale to multi-national conglomerate. John holds a Bachelor of Commerce from the University of Western Australia.

2.2 History – The Gage Roads Story

Many great ideas have been hatched over a beer. Gage Roads was no different.

It was at the end of a long shift, while enjoying the fruits of their labour, that brewmasters Peter Nolin and Bill Hoedemaker first discussed opening their own brewery. They were one of Australia's most highly awarded brewing teams. They'd pushed the boundaries, brewed the beers that helped put Fremantle's Sail & Anchor Pub Brewery back on the map, along the way adding to the changing face of craft brewing in Australia.

Like the beers they brew, the idea went down very well.



Brewmasters Bill Hoedemaker and Peter Nolin.

They formed a partnership with Bill's brother John, a like minded entrepreneur, and embarked on a mission – to craft brew natural beers to a world class standard using original recipes designed for the Australian lifestyle and climate.

As craft brewers, Peter and Bill are very hands on. So assembling their own brewery from scratch made sense. It meant they would have a say in every single part of the craft brewing process. Everything – from the size of the tanks to where the ingredients came from – would be dedicated to producing the best natural beer possible.

Premises large enough to allow for an operation



WATER



MALT



HOPS



YEAST





of a national scale were found on the edge of Fremantle in Western Australia, and with the backing of local investors who shared their passion for great beer, Australia's Craft Brewery was born. With a fresh logo and enthusiasm on tap, Gage Roads Brewing Co was ready for business.

In 2005, just three years after that initial conversation, Gage Roads' first brew – a Pure Malt Lager – hit the shelves in Western Australian bottle shops. It was followed shortly after by a craft brewed midstrength PILS and has since been joined by their India Pale Ale (IPA). At the 2006 Australian International Beers Awards, Gage Roads won a medal for every product submitted and was in the running for Best New Exhibitor.

Despite the success and rapid growth in terms of outlets and sales, some things remain unchanged at Gage Roads. Peter and Bill are still two of the fussiest brewers you could ever meet. Their standards are still exceptionally high. They still have a say in every part of the brewing process. They still only use the finest natural ingredients. And they still like to sit down at the end of a long shift with one of their beers.

A great idea if ever there was one.

2.3 Gage Roads Now

Gage Roads is now one of Australia's largest independent craft breweries, with an existing brewing capacity of up to 5 million litres supported by a dedicated team and the infrastructure to supply a national market.

Peter, Bill and John have recruited an

experienced team to help drive Gage Roads to new levels of success. Each one is a professional with proven experience in their field and a demonstrated passion for craft brewing.

Donald Pleasance, the National Sales Manager at Gage Roads, brings over twenty years of liquor industry experience. Donald managed the team that brought over 400 retail outlets on board in WA during the first year of sales, including outlets within both of the national liquor chains. He is currently responsible for coordinating the day to day management of the sales effort with the Hardy Wine Company, Gage Roads' exclusive national distribution partner for all of their packaged beers.

The **Hardy Wine Company** is one of the largest wine companies in Australia and is owned by Constellation Brands, one of the largest beverage companies in the world. Hardy's is a proven performer in the premium beer business having played key distribution roles in broadening the national presence of both Coopers Brewery and James Boag & Son during the 1990s. Hardy's had been on the lookout for a premium beer to complement their portfolio of products and the Gage Roads range of craft brewed, natural beers was a perfect fit.

Gage Roads is the only beer distributed by the Hardy Wine Company, which has been responsible for sales and distribution nationwide since 1 August 2006. As a result of this partnership, Gage Roads' national presence has been expanding rapidly, particularly in the



Eastern States, which accounted for a fraction of Gage Roads' sales last financial year.

To support the selling effort Gage Roads has recruited **Nick Hayler**, an experienced fast moving consumer goods marketing executive who, until recently, was a manager in the Hotels, Restaurants and Cafés channel within Coca-Cola Amatil. Nick brings eleven years of hands on sales and marketing experience to Gage Roads, along with the proven ability to market new and emerging brands. A multifaceted marketing campaign which includes national print advertising, sponsorship, promotions and brand-in-the-hand campaigns has already begun.

To supply the growing national demand and

anticipated increase in volume, Gage Roads has assembled an experienced brewing team led by Bill Hoedemaker and **Aaron Heary**, Brewery Operations Manager at Gage Roads. Aaron assisted in the commissioning and launch of Little Creatures Brewing in Fremantle and boasts international craft brewing credentials from his time in the North American craft brewing community. Aaron manages a team of craft brewers that is already credited with producing a range of award winning beers. The team is well balanced with a depth of skill sets covering brewing science, engineering and packaging.

A team handpicked to help Gage Roads become a leading national premium beer brand.

Press Campaign West Australian Newspaper



2.4 Profile of Current Operations

- 40 Hectolitre brewery (4,000 litres per batch)
- 96,000 litres of fermentation capacity
- 52,000 litres of lagering capacity in a 400m² lager cellar
- Existing capacity circa 2 million litres per annum, scalable to 5 million litres
- Automated packaging line operating at 6,000 bottles per hour
 - capable of full pasteurisation
 - flexibility to utilise specialty packing
- Semi-automated kegging line for draught beer
- Capacity to brew under contract for third parties





2.5 Future Plans

Utilising the proceeds of the Offer, the operating capacity of the brewery will be expanded to facilitate further growth. Near term infrastructure upgrades will create the ability to double task, increasing the efficiency and flexibility of the brewery.

Proceeds of the Offer will also be used to pursue the Company's national brand building objectives and to support the distribution efforts of the Hardy Wine Company. This multifaceted marketing strategy will include:

- integrated point of sale material;
- in-store tasting programs and promotions;
- brand-in-the-hand event sponsorships; and
- national targeted print and outdoor media advertising campaigns.

The Company plans to release specialty and seasonal premium beers, and dependent on market conditions, it is the intention of the Company to consider the release of additional products, which may include new styles of beer positioned in other segments of the beer market, as well as other types of beverages.

In addition to the brands under the Gage Roads portfolio, there exists the opportunity to utilise excess capacity to produce beer or other beverages under contract for third parties.

The Company also intends to investigate other opportunities for diversification within the beverage and hospitality sector.



Press Campaign West Australian Newspaper

3. Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks.

The Company is committed to the circulation of relevant materials to Directors in a timely

manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration Arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.



The total maximum remuneration of Non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$150,000 per annum.

The Board may award additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

External Audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit Committee

The Company is to have a separate constituted audit committee.

Identification and Management of Risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.



Encore?

Gage Roads Pure Malt Lager is now available at a bottleshop near you. www.gageroads.com.au.

Beer, naturally.

Theatre Magazine Advertisement

4. Independent Market Report

Synovate Pty Ltd
ACN 054 505 127
Level 2
85 Coventry St
South Melbourne
Victoria, Australia 3205

ABN 21 054 505 127
Tel 61 3 9694 9199
Fax 61 3 9694 9189
www.synovate.com



Introduction

The following report has been prepared by Synovate at the request of the Directors of Gage Roads Brewing Company Limited ('the Company' or 'Gage Roads') for inclusion in a Prospectus. The Prospectus relates to a proposed issue by the Company of 10,000,000 shares at 40 cents per share to raise A\$4,000,000.

Report Objectives and Scope

This report reviews the Australian beer market, and in particular the premium beer segment – with a particular focus on craft or boutique beer. It includes an examination of the trends and issues driving or inhibiting market growth, and (at the request of the Company) reviews selected international markets at a high level.

Readers should note that these may not be the only markets in which the Company may compete; however, other markets are not within the scope of this report and as such have not been reviewed by Synovate.

This report is based solely on a review of publicly-available industry data and published reports from Australian and international sources. No primary market research has been undertaken in the preparation of this report. This report has been prepared based on the most recent information available as at 1 October 2006.

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1. Executive Summary

- With its particular focus on quality, the Company is targeting the premium segment of the beer market. The Company has been recognised for the quality of its beers by the industry, with Gage Roads reported to have one of the most awarded brewing teams in Australiaⁱ.
- Through its distribution agreement with the Hardy Wine Company, the Company states it will have the largest distribution network of any Australian independent brewer (i.e. not aligned with a major brewery). The Hardy Wine Company has previously had success in using its distribution network to grow sales of boutique beers, including well-known brands James Boag and Coopers (both no longer distributed by Hardy's)^j.
- Premium beer is the fastest-growing segment of the Australian beer market (the overall market has experienced low growth in recent years)ⁱⁱ. Growth in premium beer is being driven by:
 - Changing consumer preferences – with increasingly sophisticated tastes leading to increased demand for higher quality, unique beers^v.
 - Industry focus on development and promotion of premium beers – which typically achieve higher than traditional margins, and have greater room for differentiationⁱⁱ (for example based on style, taste or provenance).
- Globally, the beer market has experienced moderate growth – with most occurring in emerging markets outside North America and Western Europe^{xiii}. Some established markets such as the US and NZ have been experiencing negative overall growth, but have at the same time seen strong growth in Premium and Craft beers.^{xvii & xiv}

2. Summary of Company Strategy

The Company has provided Synovate with the following summary of its market strategy:

“Gage Roads is now one of Australia’s largest independent craft brewers. The brewing team at Gage Roads is one of the most awarded brewing teams in Australia, and currently produces a range of three craft brewed beers – being well positioned in the fast growing premium segment of the beer market.

To August 2006, Gage Roads was selling its beer locally in WA through at least 400 stockists and through a limited presence in the Eastern States. Since August however, Gage Roads beer has been exclusively distributed and sold nationally by the Hardy Wine Company, one of the largest wine companies in Australia. Subsequently, Gage Roads’ national presence has been expanding rapidly, particularly on the East Coast, which only accounted for a fraction of Gage Roads sales last year.

Hardy’s is a proven performer in the premium beer business, having been instrumental in bringing other beer brands to prominence on a national level, most notably Coopers and Boags in the 1990s. Gage Roads is the only beer distributed by the Hardy Wine Company.

The major strategic objective of the Company is to capitalise on the current market for its range of products,

See Notes, page 43.



leveraging the opportunities afforded by the exclusive national distribution agreement with the Hardy Wine Company. Furthermore, Gage Roads is well placed to take advantage of the expected growth and consolidation in the premium beer market within Australia and overseas.”

3. The Australian Beer Market

In Australia in 2005, beer accounted for 53% of alcoholic beverage sales, and almost 68% of the total volume of alcohol soldⁱⁱ. Australia’s total beer market was reported to be worth approximately \$14.5 billion in 2005, an increase of approximately 3.5% on the previous yearⁱⁱ. The market has experienced an average annual growth rate of 2.3% per year since 2000.

While the value of the market has been growing slowly since 2000, the volume of beer sold saw a slight decline in 2001-2003, with a recovery in 2004 and further growth in 2005ⁱⁱ. In 2005, the total volume of beer sold in Australia was 1.78 billion litres – being growth of 2.8% over the previous yearⁱⁱ. Since 2000, the average annual growth of the volume of beer sold has been just 0.5% per annumⁱⁱ.

Figure 1:

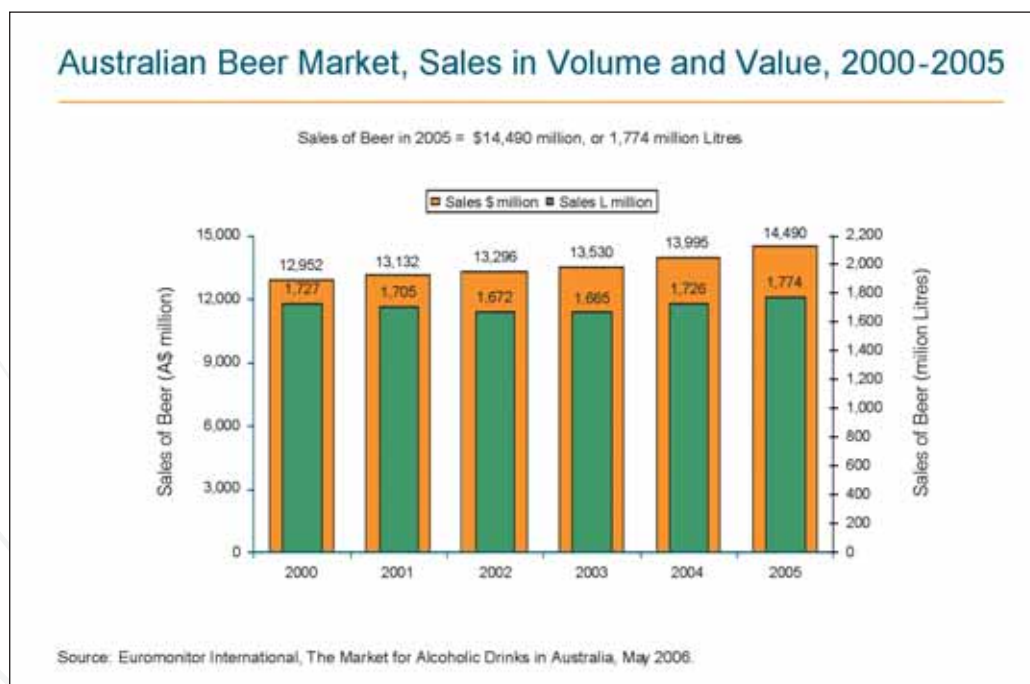
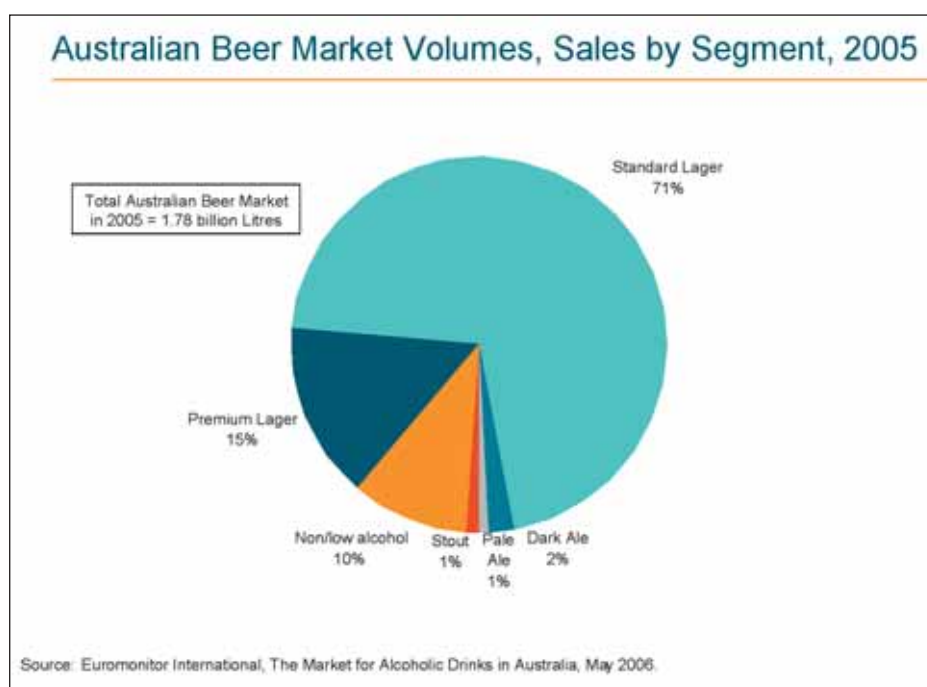


Figure 2 overleaf shows a breakdown of the Australian beer market by segment. Lagers (a style of beer that contains a relatively small amount of hops, and is aged from six weeks to six months to allow sedimentationⁱⁱⁱ) clearly dominate the market – with Standard Lager¹ accounting for approximately 67% of the total beer marketⁱⁱ.



Industry analysts report that Imported Lager¹ accounted for approximately 4.5% of the total beer market value in 2005 (but only 3.2% of volume)ⁱⁱ. The remainder of the Lager segment is reportedly produced domestically and accounts for 80.4% of the total beer market value.

Figure 2:



Premium Beer

Premium Lager¹ accounts for 15.4% of the volume of the total beer market, but 18% of the value (being \$2,628M in 2005) – reflecting the price premium achieved in this segmentⁱⁱ.

¹ Euromonitor provides the following breakdown of beer segments:

Lager Beer:

Economy Lager: Lager sold below \$3.50 per litre (note – there is no beer sold at this price range)

Standard Lager: Lager sold at a price of between \$3.50 and \$6.00 per litre

Premium Lager: Lager sold at \$6.00 per litre and above

Imported Lager: Lager produced overseas and imported to Australia

Domestic Lager: Lager produced domestically

Dark Beer (Dark ale and Pale ale)

Stout and Non/low alcohol



A separate market review found that the Premium beer² segment represents 16% of the total packaged beer market, with Full Strength accounting for 62%, followed by Mid Strength (15%) and Light (8%)^{ix}.

The same market analyst breaks down the Premium segment further by source – with 54.8% of premium beer brewed domestically, and the remainder being imported^x.

Extrapolating this to the total market, approximately 8.9% of the packaged beer market is premium domestic beer, and 7.3% is premium imported^x.

‘Craft’ Beer

As a sub-segment of the Premium beer segment, Craft beer has also been termed ‘boutique’ or ‘microbrewery’ beer. In Australia it loosely refers to brewing operations that are smaller than the major four brewers, being Lion Nathan, Fosters, Coopers and J Boags^{iv}.

The Craft beer segment has reportedly grown rapidly in recent years – with one industry commentator estimating that there are currently 80 craft or boutique brewers around Australia – being double the number that existed five years ago^{iv}.

Many Craft breweries are small, localised businesses which operate as combined pub-breweries – selling beer through a single retail site, or by wholesaling it in kegs and bottles to hotels and bottle shops^{iv}.

A small number of Craft brewers have national distribution networks – including Gage Roads, Mountain Goat (Victoria), Grand Ridge (Victoria), Blue Tongue (NSW) and Barossa Valley Brewing (SA)^x.

Adding to the complexity of the market, the major brewers each have a number of ‘boutique’ labels (e.g. Lion Nathan with James Squire, and Fosters with Cascade and Crown Lager) which compete directly or indirectly with the craft brewers in the premium beer marketⁱⁱ.

Value of the Craft Beer Market

Estimates of the Craft beer market size vary due to a lack of standardised industry data and differences in the definition of Craft beer. One respected industry analyst recently estimated that Craft beer represented approximately 8% of the overall beer market (valued at \$8.5 billion), giving an approximate market size of \$680 million^{vi}.

²AC Nielsen (reported in Australian Liquor Research), reportedly analyse only the sales of packaged beer. AC Nielsen reportedly segment the packaged beer market using alcohol content and price per litre as the key segmentation factors:

Light Beer: beer with low alcohol content

Mid Strength: beer with medium alcohol content

Full Strength: beer above medium alcohol content and mid priced

Premium: this segment includes premium priced beer, and has been further segmented into domestically produced premium beer (Domestic Premium) and imported premium beer (Imported Premium)



A second credible commentator has offered a conflicting estimate — suggesting in February 2006 that Craft beer accounted for 13% of the Premium beer segment^{vii}. Based on the overall market size figures quoted previously, this would equate to a market size of approximately \$342 million (or 36 million litres).

A third estimate (made in May 2005) estimated the market size by volume at approximately 1% of the whole beer market (reported at 1.3 billion litres)^{viii}. This equates to approximately 13 million litres of beer.

Due to the lack of reliable market information, and the variability of estimates made by industry commentators, Synovate is unable to provide a reliable estimate of the size of the Australian craft beer market.

Market Growth

Figure 3 opposite, illustrates the growth rates being experienced across the various segments of the market.

Since 2000, Premium lager has been the fastest growing market segment — with Euromonitor reporting an average annual growth rate of approximately 14.1% per year in volume, and 15.4% per year in dollar valueⁱⁱ. Another industry analyst (AC Nielsen) reported similar growth in the Premium segment of 12.3% to March 2006^x. This has largely been driven by Imported Lager — with an average annual growth of 16.9% in volume and 19.7% in value since 2000 (but down during 2004 and 2005, with volume growth of 11.7% and value growth of 13.1%)ⁱ. Another estimate of growth in this segment was significantly higher in 2005, with growth reported at closer to 26% for the year to March 2006^x.

Industry commentators describe growth in the Premium beer segment nationally as being led by Western Australia, which had the highest growth rate in 2005 of almost 29% — the lowest being in South Australia with a still healthy 10%^x. The Premium segment in Western Australia is also reported as having the highest market share out of any of the states, with almost 25% of its total packaged beer market being accounted for by Premium beers^x. The Premium segment in Queensland has the lowest share of all the states at approximately 10%. As a sub-segment of the Premium segment, Domestic Premium beer is also experiencing higher growth in WA than any other state at 10.5% for the past year^x. Of the 80 reported craft breweries around the country, WA and Victoria account for a comparatively high proportion of 25 breweries each^{iv}.

The Standard Lager and non/low-alcohol segments have declined in volume since 2000, at an average annual decline of 1.2% and 1.9% per year respectivelyⁱⁱ.

The Pale Ale segment has achieved above market growth in both volume and value over the past five years at approximately 4% per annumⁱⁱ.



Figure 3:



Forecast Growth

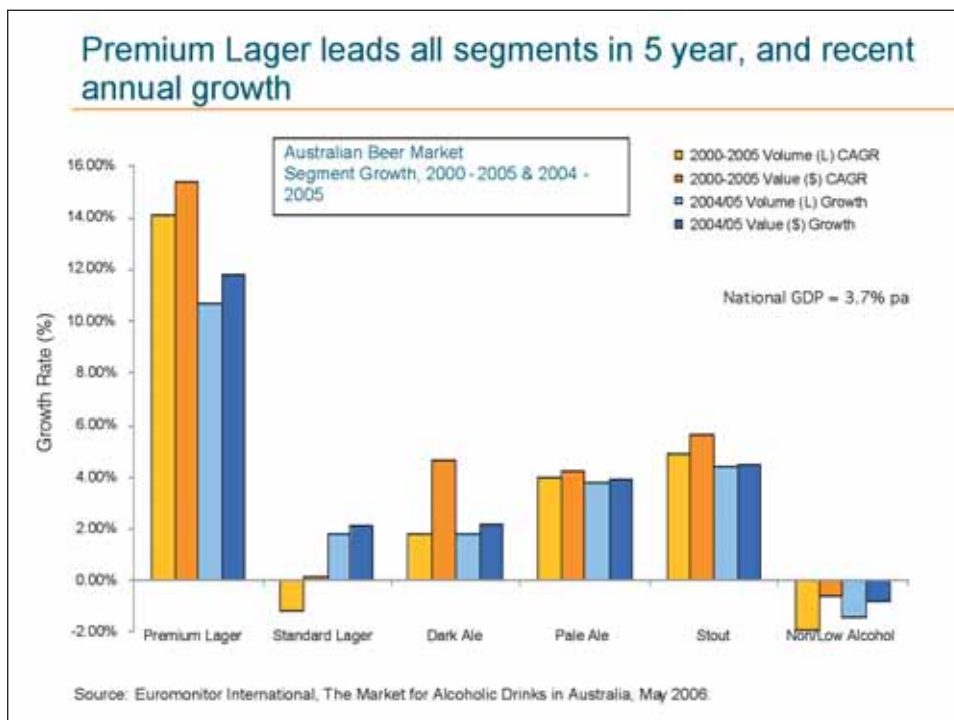
As shown in Figure 4 overleaf, industry analysts expect continued growth in the Premium Lager segment, albeit at lower rates than the levels experienced recentlyⁱⁱ. The annual average growth in volume of this segment is forecast at approximately 7.6% per year between 2005 and 2010ⁱⁱ. This growth forecast would continue to see this segment as the fastest growing segment.

In comparison, the Standard Lager segment is forecast to grow in volume at similar rates to the past year, with annual average growth to 2010 expected at 1.6% per yearⁱⁱ.

The Pale Ale segment is forecast to grow at similar rates to the past year, with annual average growth in volume forecast to be approximately 3.5% per year to 2010ⁱⁱ.

The Craft beer segment has been estimated by one commentator to have grown by over 15% in the past year – and to make up an increasing proportion of the Premium segment^{vii}. Industry analysts reported the strong growth was driven by brands including Coopers, James Squire and Little Creatures^{ix}.

Figure 4:



4. Distribution Channels

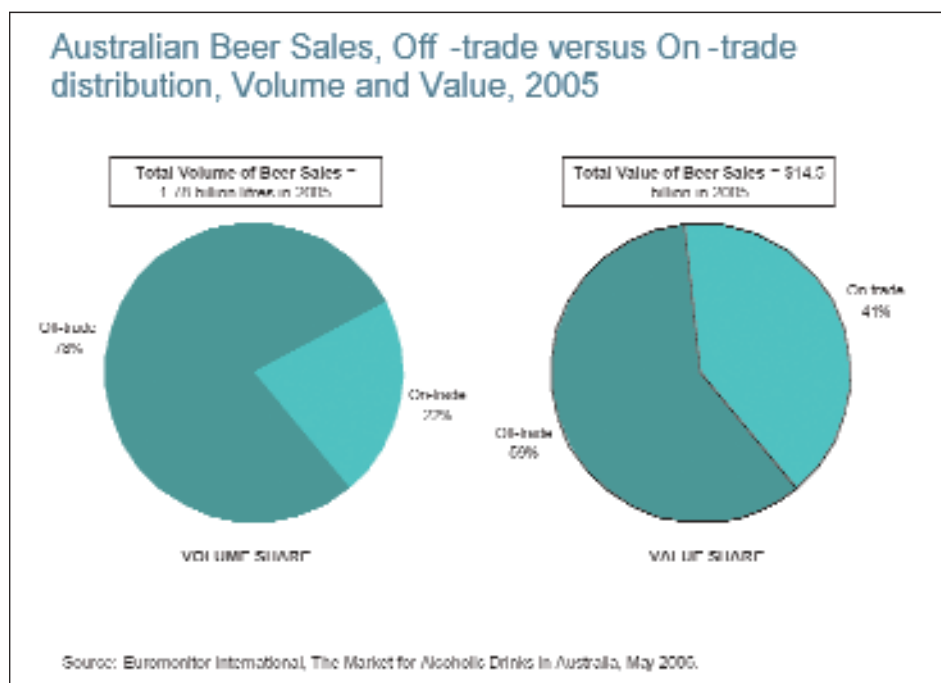
There are two major distribution channels for beer manufacturers in Australia, being ‘On-trade’ and ‘Off-trade’ channelsⁱⁱ. On-trade distribution refers to beer sales where the purchaser consumes the beer on the premises where the purchase was madeⁱⁱ. On-trade channels include discos, nightclubs, bars and restaurants.

Off-trade sales of beer are primarily made through licensed retail specialists often known as ‘bottle shops’ⁱⁱ. These retailers sell beer as well as a range of other alcoholic products such as wine and spirits. Off-trade distribution has consolidated in recent years in Australia, with two major supermarket retail chains (Woolworths and Coles) and several other major chains building a significant presence in the Off-trade channelⁱⁱ. One analyst reports that in 2005, Woolworths operated 957 liquor stores, whilst Coles Myer operated 670 storesⁱⁱ.

In 2005, sales through Off-trade channels were \$8.6 billion, accounting for approximately 59% of total beer sales valueⁱⁱ. In terms of beer volume, Off-trade sales accounted for 1.39 billion litres of beer, or just over 78% of total beer volume – illustrating the substantial price premiums achieved through On-trade channelsⁱⁱ.



Figure 5:



Since 2000, the ratios of volume and value sold through Off-trade and On-trade channels have remained similar to the levels in the chart above, suggesting that the mix of distribution channels for the beer market have not changed, and that price differences between the channels have also remained proportionate to growth in beer sales/volumeⁱⁱ.

5. Competitors

The Australian beer market is highly competitive with two dominant brewers and many smaller players. Lion Nathan Australia and Carlton & United Beverages (owned by Fosters group) are the two major beer producers in Australiaⁱⁱ. Combined they accounted for 88% of the beer volume consumed in 2004. Carlton & United have higher share of volume at 49%, with Lion Nathan at 39%ⁱⁱ. Lion Nathan owns major brands such as Tooheys, XXXX, Hahn and Cascade, whilst the Fosters Group controls the Carlton range, VB and Crown Lager. Whilst the Australian beer industry is dominated by two major players, there have been continued consolidation efforts in the boutique segments, such as Lion Nathan's takeover attempt on Coopersⁱⁱ.

The remaining share is spread amongst a large number of breweries, including Coopers Brewery (1.5%), and San Miguel (James Boags) with 1.3% volume shareⁱⁱ. According to a prominent industry expert, the major players in the Craft beer market are Coopers, James Squire/Malt Shovel (owned by Lion Nathan), Little Creatures (34% owned by Lion Nathan) and Matilda Bay (owned by Fosters)^{vii}. Gage Roads is reportedly one of Australia's largest independent Craft breweries^{xi}.



Innovation, quality and distribution are reportedly the keys to the success of the Malt Shovel Brewery in the Craft beer market, with the Lion Nathan network providing the avenue for a smaller brewery to reach national distribution^{vii}.

6. Trends and Issues

A number of factors are believed to be driving ongoing change in the Australian beer industry and in particular the premium segments.

Strong Economic Performance in Australia

A continued strong Australian economy is reportedly one of the major reasons for recent growth in the total beer market in Australia, and in particular the Premium segments. An increase in the disposable income of consumers has meant consumers have additional resources to purchase beer, and this has reportedly shifted consumers' focus to quality of beer rather than quantityⁱⁱ. Subsequently, Premium segment beer has become more attractive based on quality, and consumers have had the means to meet the price premiums in this segmentⁱⁱ.

Strong Competition from other Alcohol drinks

Competition from other alcoholic drinks has been strong in recent times, with volume growth in wine (3.5%) slightly higher than that of beer in 2005, whilst flavoured alcoholic beverages (FABs) achieved much higher growth at 10.6% growth in volumeⁱⁱ. In response, beer manufacturers have reportedly placed greater production and promotional focus on premium beer brands in order to maximise the margins and profit of beer salesⁱⁱ. The heavy promotion of premium labels is likely to have contributed to the growth in Premium segments discussed above.

Increased Sophistication and Recognition of Quality

Australian beer consumers are reportedly becoming increasingly sophisticated in their appreciation of beer and have broadened their tastes through increased consumption of premium and imported beer^v. Roy Morgan Research suggests that one of the drivers of this trend is consumers desiring to look 'good in front of friends' and having a strong need to be fashionable, stylish and socially active^{xii}. Furthermore, more than one in three imported beer consumers are reportedly in professional or managerial occupations, and more than one in two are university educated^{xii}. In summary, it is the well educated, white collar, socialising and entertaining consumers who are becoming increasingly important in the imported beer market and who consume a wide range of alcohol types^{xii}.

Increased Import Purchase for Home Consumption

The proportion of imported beer consumers in a seven day period has increased markedly since 2001, from 11% to 18% in 2005^{xii}. During the same time period, Roy Morgan Research reports that total off-premise



(Off-trade) beer consumption increased from 73% in 2001 to 82% in 2005^{xii}. Combining these two trends, Roy Morgan Research report that off-premise imported beer consumption has risen markedly with an extra 13% of beer drinkers choosing to consume imported beer off-premise^{xii}. Much of this off-premise increase is a result of more consumers purchasing imported beer and consuming it at home or at friends and relatives homes. Surprisingly, whilst the overall number of people drinking imported beer at home has increased, it is female consumers who are growing more quickly than their male counterparts^{xii}.

7. The Global Beer Market

The global beer market volume grew by 2.4% in 2005, to 1.55 billion hectolitres³, up from 1.52 billion hectolitres in 2004^{xiii}. The value of this market has been estimated at between US\$250-300 billion.

In 2005, Asia accounted for 30% of the world beer consumption market, followed by Western Europe (19%), North America (16%), Central and South America (15%) and Eastern Europe (14%)^{xiii}. Between 2004 and 2010, Rabobank forecast the emerging markets will have the highest annual growth rates, whereas the traditional beer markets will experience negative growth. Over this period, it is expected that Central and South America will have 14.3% average annual growth and Asia will experience 3.4% growth per annum^{xiii}.

Rabobank report that Western Europe has the largest share of the premium beer market in 2006, accounting for 39%, followed by North America (22%), Eastern Europe (15%), Asia (15%) and Central and South America (8%)^{xiii}. During the period 2000 and 2003, the premium beer segment increased by 79% to 269 million hectolitres. Rabobank forecast for this growth to continue (from 2004 to 2010), growing by approximately 125% to 175% worldwide, excluding Western Europe^{xiii}. Although Western Europe is expected to grow by a lower 81%, the region is forecasted to remain the largest market for premium beer^{xiii}. Growth in this market is reportedly driven by economic development and the marketing and advertising of international brewers^{xiii}.

The global beer market was in a consolidation phase in 2005, however, is still considered fragmented, particularly compared to national markets^{xiii}. Major brewers are expected to continue making further acquisitions in both emerging and mature markets^{xiii}.

³Note: 1 hectolitre = 100 litres

8. Selected International Beer Markets

At the request of the Company, a comparison of selected international beer markets follows, which provides an overview of growth in Craft beer segments abroad. Readers should note conditions in overseas markets may not reflect those experienced in Australia.

United States

In 2005 Craft beer was the fastest-growing segment of the US alcoholic beverages market – for the second consecutive year. The segment was worth an estimated US\$4.3 billion (A\$5.6 billion) in 2005, producing 7.04 million barrels of beer^{xiv}. The segment represented approximately 3.4% of the total market in 2005, up from 3.1% in 2004. In volume terms, this represents a growth in the segment of 9.0% in 2005, up from 6.9% in 2004^{xiv}.

Between 2004 and 2005, the overall beer industry declined by 0.2%, with domestically-produced beer declining by 1.2%^{xiv} (with growth in imports making up the difference).

As in Australia, the major driver of the continued growth of the Craft beer segment is reported to be consumer enjoyment of the flavour and the diversity of beer types offered^{xv}.

The Craft beer industry emerged in the US in 1980, and since then has shown growth every year. With rapid development of the industry, a number of sub-segments have emerged^{xv}:

- **Regional Specialty Breweries:** In 2004, there were 57 throughout the US, and sold 4.4 million barrels, accounting for just over 65% of the total Craft beer segment.
- **Contract Brewing Companies:** Contract brewers sold 965,000 barrels of beer in 2004, or approximately 14% of the Craft beer market.
- **Microbrewers:** There were over 350 microbrewers in 2004, and accounted for approximately 11% of the Craft beer market.
- **Brewpubs:** There were a little fewer than 1,000 brewpubs in 2004, and they accounted for approximately 10% of the market.

United Kingdom

The UK Craft beer market has been experiencing very strong growth in the past four years, of at least 12% in volume per year^{xvi}. The Society for Independent Brewers (SIBA) has reported that volume growth from local brewers has far outstripped growth in the total beer market, and the local brewers market is considered the most dynamic established beer sector in the on-premises beer trade.

In 2005, there were an estimated 450 microbreweries in the UK whose production volumes accounted for approximately 2.7% of the on-trade beer market, or 1.7% of the total UK beer market^{xvi}. This represents a 0.2% growth in on-trade market share since 2004, and 0.1% increase in total beer market share^{xvi}.

Strong consumer demand for premium quality beer produced by local brewers is reportedly driving the strong growth in this segment in the UK^{xvi}. There is reportedly growing consumer appreciation for independently



brewed, high quality, handcrafted beer, which offers a broad range of choice and innovative brews^{xvi}.

Barriers to further growth of the industry are reportedly:

- Small economies of scale
- Market access difficulties
- Lack of distribution capability

New Zealand

The overall beer market in New Zealand experienced a slight decline in sales volume in 2005, down by 0.4% or 313 million litres^{xvii}. The decline in the beer market is reportedly driven by the downturn in demand for standard lager, and average beer consumption per capita also declined by 1% compared to the previous year.

Amidst the decline in the overall beer market, Premium beer has recorded a rise in demand on the previous year, with Premium, Craft and Specialty brews reportedly ‘taking the lead in adding value to the mature beer market’^{xvii}. Reflecting this trend was the overall value growth of the beer market, despite volume declines, with the value of the market increasing by approximately 3% on the previous year^{xvii}. This reportedly illustrates the ‘clear shift away from the “one beer fits all” mentality amongst consumers’^{xvii}.

Currently there are 45 reported craft breweries in NZ, with many of them attached to their own pubs^{xviii}. The increased level of competition and popularity of Craft beers has reportedly resulted in the major brewers (Lion and DB) discounting their mainstream beers in order to maintain market share under pressure from Craft beers^{xviii}.

9. Notes

Consent

Synovate has given its consent in writing to the issue of the Prospectus with this Independent Market Report in the form and context in which it is included, and has not withdrawn its consent before the lodgement of the Prospectus with the Australian Securities and Investment Commission.

Disclosure

This report is an independent report. Synovate does not have a pecuniary or other interest in the Company. The payment of fees to Synovate for the preparation of this Independent Market Report is not contingent on the outcome of the Prospectus.

Gage Roads has agreed to indemnify and hold harmless Synovate from and against any claims, liabilities, costs or expenses, except to the extent that they result from negligence or wilful misconduct, arising directly from or in relation to this report.

Other than the recording of its company name as an independent expert, Synovate has had no involvement in the preparation of the Prospectus, has not authorised or caused the issue of the Prospectus and takes no responsibility for any part of the Prospectus other than this report and reference to its name.

Assumptions and Qualifications

1. This report has been prepared for the purpose of inclusion in a Prospectus to be issued by Gage Roads. The contents of the report should be read in its entirety and within the context of the scope of the report.
2. In estimating the value and size of markets, Synovate has relied upon a base of information that has been provided by credible third party sources. Whilst Synovate has used its best endeavours to validate the data, no warranty of accuracy is given to the information contained in this report and obtained from these sources. References are provided for the reader's information.
3. The market size estimates referred to throughout this report were derived from the most recently available data as at 1 October 2006.
4. There is no direct reference to the sales potential of the Company's products in this report as this will depend on a number of market-related factors not reviewed as part of this report. The findings of this report are based entirely on secondary research conducted by Synovate, utilising the resources of industry research bodies, industry commentators, and international authorities.
5. Some documents quoted in this report include forecasts and other forward-looking statements. Where possible Synovate has stated the underlying assumptions upon which quoted forecasts were based. However, in many cases authors do not state these assumptions and they are therefore not included. Readers should exercise caution in interpreting such projections, which are inherently limited and should not be relied upon as an indication of future results.
6. This report has been prepared for information purposes only and does not constitute any form of investment opinion or advice. Synovate does not hold an Australian Financial Services license.

About Synovate

Synovate is a specialist marketing consultancy providing marketing research, planning and strategy services. Synovate Business Consulting is a business unit of Synovate. Synovate Business Consulting's expertise is in identifying and extracting information, analysing the results and linking them to business outcomes that provide value to our clients. We specialise in providing market intelligence to clients to support informed business decisions and conduct a number of Independent and Expert Market Reports for capital raisings as well as other business planning purposes.



MATT CRELLIN
Managing Director
Synovate Business Consulting, Australia



CHRIS ROWLANDS
Associate Consultant

For enquiries relating to this report please contact Synovate on (03) 9694 9199.

Ref: 23460

Notes:

- i WA Business News, “Gage Roads in distribution deal with Hardy wines”, July 2006.
- ii Euromonitor International, “The Market for Alcoholic Drinks in Australia”, June 2006.
- iii The Free Dictionary, “Definition of Lager”, 2006.
- iv Sydney Morning Herald, “It’s no small beer”, August 29, 2006.
- v National Liquor News, “The art of craft”, March 2006.
- vi National Liquor News, “Micro Society”, March 2006.
- vii National Liquor News, “Craft beers continued their solid growth in 2005”, February 2006.
- viii Landline, “Little Creatures brew up big interest”, May 2005.
- ix Australian Liquor Research, 2006 Annual, “AC Nielsen ScanTrack Liquor: Key Trends in 2005”, February 2006.
- x Australian Liquor Research, “AC Nielsen ScanTrack Liquor: Packaged beer performance and trends”, June 2006.
- xi Sydney Morning Herald, “Hardy Wine to distribute premium beer”, August 2006.
- xii Australian Liquor Research, “Roy Morgan Research: Imports Invade the Domestic Front”, June 2006.
- xiii Rabobank, “Global beer trends”, January 2006.
- xiv Brewers Association, “2005 Craft Beer Industry Statistics”, 2006.
- xv Brewers Association, Media Release, “Craft Beer Growth Leads All Adult Beverages for Second Year”, 2006.
- xvi Society of Independent Brewers, “Local Brewing Industry Report”, 2005
- xvii Euromonitor, “Beer in New Zealand”, 2006.
- xviii New Zealand Listener, “A nice wee drop”, April 2006.

5. Investigating Accountant's Report

8 November 2006



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

Dear Sirs

Investigating Accountant's Report

1. Introduction

We have prepared this Investigating Accountant's Report ("Report") at the request of the directors of Gage Roads Brewing Company Ltd ("Gage Roads or the Company") for inclusion in a Prospectus inviting participation in the issue by Gage Roads of 10,000,000 ordinary fully paid shares at an issue price of \$0.40 each to raise \$4,000,000.

2. Basis of Preparation

This report has been included in this Prospectus to assist investors and their financial advisers to make an assessment of the financial position and performance of Gage Roads. This report does not address the rights attaching to the shares to be issued in accordance with this Prospectus, nor the risks associated with the investment.

The Directors of Gage Roads have requested Horwath Securities (WA) Pty Ltd ("Horwath") prepare an Investigating Accountant's Report for inclusion in this Prospectus dealing with the following financial and other information:

- (i) the audited results for the financial year ended 30 June 2006.
- (ii) the audited balance sheet of Gage Roads as at 30 June 2006.
- (iii) the pro-forma balance sheet as at 30 June 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2.

3. Background

The Company was incorporated on 2 December 2002 as a registered Australian Proprietary Company limited by shares with 3 issued ordinary shares. Between this incorporation date and 30 June 2006, a further 1,623,681 ordinary shares and 43,679,345 preference shares were issued to shareholders at between 10c and 20c, raising \$5,439,844 in funds for the company. Since 30 June 2006, an additional 1,676,368 preference shares have been

issued at 20c, raising a further \$335,273.

On 15 September 2006, ASIC approved the change of Company status to an Unlisted Public Company.

4. Capital Structure

The expected capital structure of the Company following the completion of the Offer is as follows:

	Number	Ψ	\$
• Director Shares	1,473,684		3
• Seed Capital – Ordinary Shares	150,000		-
• Seed Capital – Preference Shares	45,355,713		5,775,117
• Equity Raising Costs			(33,347)
• Conversion of Preference Shares to Ordinary Shares	-		-
• 1 for 10 Bonus Issue	4,697,942		-
• 1 for 2 Consolidation	(25,838,664)		-
• RuralAus Investments Ltd Converting Note	1,250,000		500,000
• Equity Raising Costs			(50,000)
• Conversion of Director Options	7,481,782		904,615
• IPO Raising	10,000,000		4,000,000
• Equity Raising Costs	-		(400,000)
	44,570,457		10,696,388

5. Scope of Review

Our review has been conducted in accordance with Auditing Standard AUS 902 “Review of Financial Reports”.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Directors of Gage Roads Brewing Co Ltd have prepared and are responsible for the historical financial information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the Prospectus.

6. Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information as set out in Appendix 1 and Appendix 2 does not present fairly:

- (i) the results of Gage Roads for the period ended 30 June 2006.
- (ii) the balance sheet of Gage Roads as at 30 June 2006.
- (iii) the pro-forma balance sheet of Gage Roads as at 30 June 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2, in accordance with the accounting methodology required by applicable Australian equivalents to International Financial Reporting Standards and the accounting policies adopted by Gage Roads as described in Note 1 and on the basis of the assumptions and transactions set out in Appendix 2.

7. Declarations

- (a) Horwath will be paid a fee of \$5,000 based upon normal charge rates and professional time incurred in the compilation of information and the preparation of this report. The involvement of Horwath in the preparation of this Prospectus is limited to the preparation of this report other than Horwath Audit (WA) Pty Ltd is the Auditor of the Company;
- (b) Horwath was not involved in any other aspect of this Prospectus and did not authorise or cause the issue of any other part of this Prospectus and we have only issued our consent in respect of the inclusion of this report in this Prospectus;
- (c) The author of this report does not have any interest in Gage Roads or the shares offered by this Prospectus;
- (d) The giving of our consent for the inclusion of this report in this Prospectus should not be taken as an endorsement of Gage Roads or a recommendation by Horwath of any participation in the offer by any intending investors;
- (e) The author of this report gives no assurance or guarantee whatsoever in respect of the future success of or financial returns associated with the subscription for shares being offered pursuant to this Prospectus; and
- (f) This report should be read as a whole and no part of it quoted, otherwise referred to or produced without prior written consent of Horwath.

Yours sincerely

HORWATH SECURITIES (WA) PTY LTD



GLYN O'BRIEN
Director

APPENDIX 1

INCOME STATEMENT

For the financial year ended 30th June 2006

Audited
30 June 2006
\$

Revenues from continuing activities	1,169,847
Raw materials, excise, consumables & delivery	(600,642)
Operating expenses	(336,619)
Employee expense	(1,190,284)
Depreciation and amortisation expense	(107,599)
Sales & Marketing	(586,594)
Administration costs	(189,362)
Occupancy costs	(100,027)
Finance costs	(35,097)
Loss before income tax expense	(1,976,377)
Income tax expense	-
Loss for the year	(1,976,377)
Loss attributable to members of Gage Roads Brewing Co Ltd	(1,976,377)

This Income Statement is to be read in conjunction with Appendix 2.

APPENDIX 1

BALANCE SHEET					
As at 30th June 2006	Note	Audited 30 June 2006 \$	Subsequent Events \$	Pro-Forma Adjustments \$	Pro-Forma after the Offer \$
Current assets					
Cash and cash equivalents	3	1,272,314	785,273	3,600,000	5,657,587
Trade and other receivables		212,037	-	-	212,037
Inventories		226,725	-	-	226,725
Total current assets		1,711,076	785,273	3,600,000	6,096,349
Non current assets					
Property, plant and equipment		1,693,595	-	-	1,693,595
Intangible assets		3,769	-	-	3,769
Other		2,736	-	-	2,736
Total non current assets		1,700,100	-	-	1,700,100
Total assets		3,411,176	785,273	3,600,000	7,796,449
Current liabilities					
Trade and other payables		208,830	-	-	208,830
Borrowings		133,344	-	-	133,344
Provisions		37,958	-	-	37,958
Total current liabilities		380,132	-	-	380,132
Non current liabilities					
Borrowings		589,287	-	-	589,287
Total non current liabilities		589,287	-	-	589,287
Total liabilities		969,419	-	-	969,419
Net assets		2,441,757	785,273	3,600,000	6,827,030
Equity					
Contributed equity	4	5,406,500	785,273	4,504,615	10,696,388
Share options reserve	5	399,557	-	465,560	865,117
Retained profits	6	(3,364,300)	-	(1,370,175)	(4,734,475)
Total Equity		2,441,757	785,273	3,600,000	6,827,030

This Balance Sheet is to be read in conjunction with Appendix 2.



APPENDIX 2

GAGE ROADS BREWING CO LTD

FINANCIAL INFORMATION

For the year ended 30 June 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements of Gage Roads Brewing Co Ltd comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Gage Roads Brewing Co Ltd financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. Comparatives have been restated accordingly where presentation and categorisation have changed under AIFRS.

Financial statements of Gage Roads Brewing Co Ltd until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Gage Roads Brewing Co Ltd 2006 financial statements, the comparative figures in respect of 2005 were restated to reflect these differences. The Company has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company's equity and its net income are given in note 28.

Early adoption of standards

The Company has not elected to apply the early adoption of those standards released but not yet effective to the annual reporting period beginning 1 July 2005. See note 1(u) for further details.

Historical cost convention

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

(b) Segment reporting

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

(c) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(d) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not

affect either accounting profit or taxable profit or loss.

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

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

(e) Leases

Leases of property, plant and equipment where the entity has substantially all the risks and rewards of ownership are classified as finance leases (note 21). Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(f) Impairment of assets

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

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities

of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(h) Trade receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. They include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The Company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments in AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Changes in fair value are either taken to the income statement or an equity

reserve. At the date of transition (1 July 2005) there were no changes to carrying amounts required to be taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to note 28 Explanation of transition to AIFRSs.

From 1 July 2005

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

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

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value

adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance date whether there is objective evidence that a financial asset of group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether a security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(k) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price: the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(l) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amount, net of their residual values, over their estimated useful lives, as follows:

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

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

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

(m) Intangible assets

Trademarks

Trademarks are treated as having an infinite useful life because they are expected to contribute to the net cash flows indefinitely. Therefore, the trademarks would not be amortised until their useful life is

determined to be finite. They would be individually tested for impairment in accordance with AASB 136 annually and whenever there is an indication that any of the trademarks may be impaired. They are carried at cost.

(n) Trade and other payables

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

(o) Borrowings

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

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

(p) Borrowing costs

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

(q) Employee benefits

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

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

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

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

(r) Contributed equity

Ordinary shares are classified as equity. The preference shares are classified as equity on the basis that they rank pari passu in any surplus assets of the Company in the event that it is wound up and that such surplus amounts remain after the settlement of all liabilities, including the preference shares' face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

(s) Financial instrument transaction costs

The Company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss. At the date of transition to AASB 132 and AASB 139 there was no adjustment to carrying amounts for the Company.

(t) Goods and services tax

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount

of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(u) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 119 *Employee Benefits*: Accounting for actuarial gains and losses and group plans

AASB 119 (updated) is applicable to annual periods beginning on or after 1 January 2006. The Company has not elected to adopt AASB 119 (revised) early. It will apply AASB 119 (revised) in its 2007 financial statements.

(ii) AASB 2005-1 *Amendments to Australian Accounting Standard [AASB 139]*: Cash flow hedge accounting of forecast intra-group transactions

The Company does not have forecast intra-group transactions, therefore the interpretation will not affect the Company's financial statements.

(iii) AASB 2005-4 *Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]*: Fair value option

The Company does not have any assets categorised as 'held at fair value through profit or loss', therefore this interpretation will not affect the Company's financial statements.

(iv) AASB 2005-6 *Amendments to Australian Accounting Standards [AASB 3]*: Business combinations involving entities under common control.

The Company does not have any entities under common control, therefore the interpretation will not affect the Company's financial statements.

(v) UIG 4 *Determining whether an Asset contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Company has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Company will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Company's current arrangements.

(vi) UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

The Company does not have interests in decommissioning, restoration and environmental rehabilitation

funds. The interpretation will not affect the Company's financial statements.

(vii) *AASB 2005-9 Amendments to Australian Accounting Standards (AASB 4, AASB 1023, AASB 139 & AASB 132)*

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Company does not have any financial guarantee contracts, therefore this interpretation will not affect the Company's financial statements.

(viii) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038)*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Company's financial instruments.

(ix) *UIG 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.*

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. The Company has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities. The interpretation will not affect the Company's financial statements.

(x) *AASB 2006-1 Amendments to Australian Accounting Standards (AASB 121)*

AASB 2006-1 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Gage Roads Brewing Co Ltd does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Company's financial statements.



2. ACTUAL AND PROPOSED TRANSACTIONS TO ARRIVE AT PRO-FORMA BALANCE SHEET

The pro-forma balance sheet reflects the 30 June 2006 balance sheet adjusted to reflect the effect of the actual and proposed transactions pursuant to the proposed capital raising. The transactions reflected are as follows:

Subsequent Events:

- The issue of 1,276,368 preference shares at an issue price of 20c each to Top Nominees on 7 July 2006 to raise \$255,273.60;
- The issue of 400,000 preference shares at an issue price of 20c each to Paul Lawrence McKenzie and Sally Mary McKenzie on 4 August 2006 to raise \$80,000;
- Approval of conversion of 45,355,713 preference shares to ordinary shares at the Annual General Meeting held on 27 October 2006;
- Execution of converting note with RuralAus Investments Ltd on 1 November 2006, raising \$500,000. Payment of an application fee of \$50,000 following the execution of the converting note.
- A 1 for 10 bonus issue will be resolved by the directors just prior to a general meeting held on 30 November 2006;
- A 1 for 2 consolidation of all shares, as notified to shareholders and to be voted on at the general meeting held on 30 November 2006, is taken as passed. The Prospectus and IPO are subject to this resolution being passed.

Pro-Forma Events:

- The RuralAus Investments Ltd Converting Note will convert to 1,250,000 ordinary shares just prior to the allotment of shares subject to the IPO;
- Existing Director Options will convert to ordinary shares at IPO. These Options total 7,481,782 and an expense of \$505,058 will be accounted for.
- Subject to board approval being obtained at the general meeting on 30 November 2006, New Options totalling 4,730,000 will be issued, comprising 3,850,000 to Directors and 880,000 to Key Executives. The indicative value of these options has been assessed at 18.29c, valuing them at \$865,117. Their term to maturity is five years and they have been valued using the Binomial method.
- 10,000,000 shares at 40c each are issued by the IPO, raising \$4,000,000;
- The payment of \$400,000 for equity raising costs.



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APPENDIX 2

	Audited 30 June 06 \$	Pro forma \$
3. Cash assets		
Cash at bank	1,272,314	5,657,587
<i>Pro-forma adjustments</i>		
• As at 30 June 2006		1,272,314
• Preference Shares 7 July 2006		255,273
• Preference Shares 4 August 2006		80,000
• RuralAus Investments Ltd Converting Note		500,000
• Converting Note Application Fee		(50,000)
• IPO Raising		4,000,000
• Equity Raising Costs		(400,000)
Total	1,272,314	5,657,587
4. Contributed equity		
Contributed equity	5,406,500	10,696,388
<i>Pro-forma adjustments</i>	Number	\$
• As at 30 June 2006	45,303,029	5,406,500
• Preference Shares 7 July 2006	1,276,368	255,273
• Preference Shares 4 August 2006	400,000	80,000
• Conversion of Preference Shares to Ordinary Shares	-	-
• 1 for 10 Bonus Issue	4,697,942	-
• 1 for 2 Consolidation of Ordinary Shares	(25,838,664)	-
• RuralAus Investments Ltd Converting Note	1,250,000	500,000
• Converting Note Application Fee	-	(50,000)
• Conversion of Director Options	7,481,782	904,615
• IPO Raising	10,000,000	4,000,000
• Equity Raising Costs	-	(400,000)
	44,570,457	10,696,388

APPENDIX 2

	Audited 30 June 06 \$	Pro forma \$
5. Option reserve		
Option reserve	399,557	865,117
<i>Pro-forma adjustments</i>	Number	\$
• As at 30 June 2006	13,603,239	399,557
• 1 for 10 Bonus Issue	1,360,324	-
• 1 for 2 Consolidation	(7,481,781)	-
• Director Options existing at 30 June 2006 – transferred to Equity upon conversion	(7,481,782)	(399,557)
• Directors and key executives – New Options issued at IPO – not converted	4,730,000	865,117
	4,730,000	865,117
6. Accumulated losses		
Accumulated losses	(3,364,300)	(4,734,475)
<i>Pro-forma adjustments</i>		
• As at 30 June 2006		(3,364,300)
• Option expense on Director Options existing at 30 June 2006		(505,058)
• Option expense on Directors' New Options issued at IPO		(865,117)
	(3,364,300)	(4,734,475)

7. Events subsequent to balance date

The Company signed a distribution agreement with a major National distributor on 17 July 2006. There have been no other material items, transactions, or events subsequent to 30 June 2006 which relate to conditions existing at that balance date which require comment or adjustment to the figures in this report except for the those disclosed in note 2 of appendix 2.

8. Other material commitments

1. Capital commitments

The Company has committed to capital expenditure totalling \$668,000 subsequent to 30 June 2006.

2. Operating leases commitments

Commitments in relation to leases contracted for at 30 June 2006 but not recognised as liabilities, payable:

Within one year	90,000
Later than one year but not later than five years	172,500
	<u>262,500</u>

3. Finance leases commitments

Commitments in relation to finance leases payable as follows:

Within one year	20,293
Later than one year but not later than five years	64,596
Minimum lease payments	84,889
Future finance charges	(8,025)
	<u>76,864</u>

4. Service agreements

The three executive directors each entered into a 5-year service agreement in December 2003. This agreement was for a salary of \$65,000, subject to annual review, plus a fully maintained company vehicle and business phone. Their salaries in the financial year ended 30 June 2006 ranged from \$80,000 to \$86,250.

FINANCIAL SERVICES GUIDE

1. Horwath Securities

Horwath Securities (WA) Pty Ltd ABN 24009328643 ("Horwath Securities" or "we" or "us" or "ours" as appropriate) has been engaged to provide general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 269291
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and will be paid by, the person who engages us to provide the report.

Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither Horwath Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations with Product Issues

Horwath Securities (WA) Pty Ltd and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

9. Complaints resolution

a. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer, Horwath Securities (WA) Pty Ltd,

PO Box 700, West Perth, WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

b. Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("FICS"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579

Collins Street West

Melbourne VIC 8007

Toll free: 1300 78 0808

Facsimile: (03) 9621 2291

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this IAR.

6. Risk Factors

6.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Specific Risk Factors

Regulatory Risk

The introduction of new legislation or amendments to existing legislation by governments, including the various liquor licensing regimes which operate throughout Australia, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its Shares.

In addition there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

Gage Roads Brand

The Company's products and services are sold under a number of brands. The Company's brands and its image are key assets to the Company. Should the brand or image be damaged in any way or lose its market appeal,

the Company's business could be adversely impacted.

Demand

The Company operates within the consumer goods sector in which demand for its beer products is subject to changes in consumer preferences and tastes. The nature of the business is such that its revenues are not secured and may fluctuate significantly over time. Any significant decrease in demand for the Company's products would be likely to have a material adverse effect on the profitability of the Company.

Competition

The Company competes with a wide range of participants in the brewing industry. There can be no assurance that the actions of competitors or changes in consumer preferences will not adversely affect the Company's performance. It is also possible that new competitors will enter the brewing industry (particularly in the premium brewing segment where there have been a number of recent new entrants) and this also may adversely affect the Company's performance.

Acquisitions, Joint Ventures and Shareholder Dilution

The Company may assess strategic acquisitions and joint ventures as one of its growth strategies. The Company may pursue strategic acquisitions of businesses that complement its existing business. There can be no assurance that the Company will be able to successfully identify and implement such opportunities, acquire or



integrate such businesses.

The consideration payable in respect of any such acquisition may consist wholly or partly of new Shares issued to the vendors, in which case the shareholdings of existing Shareholders will be diluted. Further, the Company may seek to raise additional capital, in order to fund acquisitions, or for other purposes, by new issues of Shares. This would also have the effect of diluting the shareholdings of existing Shareholders. The Company may also elect to fund acquisitions using existing or new bank facilities. The Directors will adopt prudent financial practices in assessing the appropriate funding mix.

Intellectual Property

The Company's commercial success depends in part on its ability to protect its intellectual property assets. The commercial value of these assets is dependent on legal protections provided by a combination of copyright, patent, confidentiality, trade mark, trade secrecy laws and other intellectual property rights. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or that competitors will not be able to produce non-infringing competitive products.

It is possible that third parties may assert intellectual property infringement, unfair

competition or like claims against the Company under copyright, trade secret, patent or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has interests, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations.

No formal or informal valuation has been undertaken of the intellectual property assets of the Company. The Company makes no representation as to the value of these assets.

6.3 General Risk Factors

Additional Financing Requirements

The Directors expect that the proceeds of the public capital raising will provide sufficient capital resources to enable the Company to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company.

Unforeseen Expenditure Risk

Expenditure may need to be incurred that has not been taken into account in the preparation of



this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees ceases their employment.

Management of Growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy. The capacity of management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

Loss of Key Customers

The Company has established important customer relationships. The loss of one or more key customers is likely to adversely affect the operating results of the Company.

Share Market

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

6.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus.

Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

7. Additional Information

7.1 Rights Attaching to Shares and Options

Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

- **General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

- **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have

one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

- **Dividend Rights**

Subject to the rights of persons (if any) entitled to Shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid (not credited) on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

- **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of



the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, Shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other Shares.

- **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

- **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights

attaching to Shares.

If at any time the Share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.

New Options

The material terms and conditions of the New Options are as follows:

- (1) subject to paragraph (2) below, the New Options may be exercisable at any time prior to 5:00pm WST on that date which is 5 years after their date of issue (**Expiry Date**). New Options not exercised on or before the Expiry Date will automatically lapse;
- (2) the Options will vest as follows:
 - (i) one half of the New Options upon the occurrence of any one of the following events during the 12 month period from the date Official Quotation is first granted to the Company's Shares on ASX:
 - (A) a proposal is announced which involves either the disposal of all or substantially all the assets of the Company, or an acquisition by any entity of a relevant interest in 50% or more of the Shares of the Company;
 - (B) if after listing on ASX, the



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- Company's Shares trade at a price of 48 cents or higher for at least 5 consecutive trading days; or
- (C) the New Option holder remains either an employee of the Company or a director of the Company;
- (ii) one half of the New Options upon the occurrence of any one of the following events during the 24 month period from the date Official Quotation is first granted to the Company's Shares on ASX:
- (A) a proposal is announced which involves either the disposal of all or substantially all the assets of the Company, or an acquisition by any entity of a relevant interest in 50% or more of the Shares of the Company;
- (B) if the Company is listed on ASX, the Company's Shares trade at a price of 58 cents or higher for at least 5 consecutive trading days; or
- (C) the New Option holder remains either an employee of the Company or a director of the Company;
- (3) any New Options that have not vested on that date which is 24 months after the date Official Quotation is first granted to the Company's Shares on ASX will automatically lapse;
- (4) the exercise price of each New Option is 40 cents;
- (5) the New Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (6) upon the exercise of a New Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation. The New Options will not be listed on ASX;
- (7) a summary of the terms and conditions of the New Options, including the Notice of Exercise, will be sent to all holders of New Options when the initial holding statement is sent;
- (8) there will be no participating entitlement inherent in the New Options to participate in the new issues of capital which may be offered to Shareholders during the currency of the New Options. Prior to any new pro rata issue of securities to Shareholders, holder of New Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- (9) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the New Options, the exercise price of the New Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (10) if, prior to expiry of the New Options, the Company makes a bonus issue then upon



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exercise of its New Options, the holder will be entitled to have issued to it the additional Shares to which the holder would have been entitled if a holder of Shares at the relevant time;

- (11) the New Options may not be transferred except to:
 - (i) a body corporate which is wholly owned or controlled by the director or a spouse of the New Option holder;
 - (ii) the trustee of any trust of which the New Option holder, New Option holder's spouse or the New Option holder's children are directly or indirectly beneficiaries; or
 - (iii) the trustee of any superannuation fund of the New Option holder;
- (12) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of a New Option holder are to be changed in a manner consistent with the ASX Listing Rules;
- (13) Shares issued pursuant to the exercise of a New Option will be issued not more than 14 days after the date of the Notice of Exercise; and
- (14) in the event of the death or full or partial disablement of the New Option holder, the New Options will become immediately exercisable and the Vesting Date will be deemed to be the date of death or full or partial disablement.

7.2 Material Contracts

Lease

The Company has entered into a lease agreement with Aus-Swede Pty Ltd (**Landlord**) in respect of the premises located at 14 Absolon Street, Palmyra, Western Australia (**Premises**) (**Lease**) on the following material terms and conditions:

- (i) (**Term**): the term of the Lease is 5 years commencing on 1 June 2004. The Company has the option to renew the Lease for two further periods of 5 years each;
- (ii) (**Rent**): the Company must pay the Landlord rent of \$90,000 per annum, subject to rent reviews based on the consumer price index and market rates;
- (iii) (**First Right of Refusal**): if the Landlord wishes to sell the Premises during the term of the Lease, it must offer the Company the right of first refusal to purchase the Premises; and
- (iv) (**Termination**): the Landlord may terminate the Lease if the Company:
 - (A) breaches an obligation under the Lease and that breach is not remedied within the time specified by the Landlord;
 - (B) the Company becomes insolvent or stops paying creditors; or
 - (C) an order or resolution that the Company be wound up is made or passed.



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Distribution Agreement

The Company has entered into a Distribution Agreement with Hardy Wine Company Limited (**Hardy Wine**) dated 17 July 2006 (**Distribution Agreement**) on the following material terms and conditions:

- (i) (**Distribution**): the Company agreed to appoint Hardy Wine as the exclusive distributor of the Company's packaged beer products (**Products**) in all states and territories of Australia;
- (ii) (**Term**): the Distribution Agreement commenced on 17 July 2006 and continues unless and until terminated by either party in accordance with the termination provisions of the Distribution Agreement;
- (iii) (**Exclusivity**): during the term of the Distribution Agreement, Hardy Wine must not (without the prior written consent of the Company) distribute or promote the sale of any other premium beer brewed in Australia;
- (iv) (**Payment**): Hardy Wine must pay the Company for all Products purchased in accordance with the prices set out in the Distribution Agreement. The Company may vary the price of any Product on not less than 90 days written notice to Hardy Wine and no more than twice per calendar year;
- (v) (**Marketing Commitment**): the Company must meet certain commitments on consumer marketing

of the Products during the initial 2 year term (**Initial Term**) of the Distribution Agreement;

- (vi) (**Sales Volumes**): Hardy Wine must use its reasonable endeavours to maximise the volume of sales of Products in Australia while maintaining the premium reputation of the Products;
- (vii) (**Termination**): the Distribution Agreement may be terminated in a number of circumstances including:
 - (A) by either party immediately if a party breaches the Distribution Agreement and fails to remedy such breach within 60 days of receipt of notice from the other party requiring the breach to be remedied;
 - (B) by the Company upon 30 days notice if Hardy Wine fails to make a payment within 7 days after the due date for payment on more than four occasions in any calendar year;
 - (C) by the Company upon 30 days notice if, after the Initial Term, Hardy Wine fails to sell at least 50% of the annual sales target of Products agreed between the parties; or
 - (D) by the Company upon 30 days notice if, after the Initial Term, Hardy Wine sells less than 75%, but more than 50%, of the annual



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sales target of Product agreed between the parties, provided that if the Company terminates the Distribution Agreement in this circumstance it must pay to Hardy Wine an amount equal to 10% of all payments made by Hardy Wine to the Company pursuant to the Distribution Agreement in the 12 months prior to the date of notification of termination;

(viii) **(Pre-emptive Right):** if the Company wishes to sell its brewery business it must give Hardy Wine an opportunity to match any offer received from a third party for the purchase of the business; and

(ix) **(Governing Law):** the Distribution Agreement is governed by the laws of Western Australia.

Executive Employment Contracts

The Company has entered into executive employment contracts with each of Bill Hoedemaker, Peter Nolin and John Hoedemaker (**Employment Contracts**) on the following material terms and conditions:

- (i) **(Term):** the Term of each of the Employment Contracts is 5 years commencing on 23 December 2003;
- (ii) **(Services):** the Executive shall carry out the duties appropriate to the role of Executive Director and provide marketing, management and

administrative services to the Company;

(iii) **(Remuneration):** the Company agrees to pay each Executive an annual salary of \$120,000 (plus superannuation) and provide a motor vehicle, or a car allowance of \$20,000, and a mobile phone for the use of the Executive during the Term;

(iv) **(Termination):** the Employment Contract may be terminated in a number of circumstances including:

(A) by the Company immediately if the Executive:

(1) breaches a provision of the Employment Contract and fails to rectify that breach within 14 days of receipt of notice to rectify the breach; or

(2) is rendered unable to perform his duties due to illness or accident for a period aggregating to more than 4 months in any 12 month period;

(B) by the Company at any time by paying to the Executive the annual salary that would have been payable to the Executive for the remainder of the Term together with payment in lieu for any accrued entitlement to annual leave; or

(C) by the Executive upon 6 months written notice to the Company.



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The Employment Contracts are otherwise on standard commercial terms.

Lead Manager's Mandate

Patersons Securities Limited (**Patersons**) was appointed as Lead Manager to the Offer by letter agreement dated 21 September 2006 (**Mandate**).

Pursuant to the Mandate, Patersons agreed, amongst other things, to assist and advise in regard to the pricing and structure of the Offer, establish and facilitate demand and manage institutional marketing presentations as appropriate.

In consideration of Patersons undertaking the role of Lead Manager, the Company will pay to Patersons the following fees:

- (i) a management fee of 1.5% of the gross amount raised under the Offer; and
- (ii) a selling fee of 4% of the gross amount raised under the Offer.

In addition, Patersons will be reimbursed for all out of pocket expenses incurred in relation to its role as Lead Manager.

Patersons may terminate the Mandate in its absolute discretion if certain events occur including (without limitation):

- (i) the Australian equity capital market conditions are such that they are not, in the bona fide judgement of Patersons, conducive to the successful completion of the Mandate;
- (ii) there is a material adverse effect including any adverse change in the assets, liabilities, financial position or prospects of the Company;

- (iii) there is a false or misleading statement contained in the material supplied to Patersons;
- (iv) any adverse material change occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets such that it is impracticable to market the Offer or the success of the Offer is likely to be adversely affected; and
- (v) ASX gives notice that the Shares of the Company will not be admitted to trading on the Official List of ASX.

The Company has also agreed to indemnify Patersons, its associates, directors, agents and staff against any losses, claims, damages or liabilities to which it may become subject in connection with any matter referred to in the Mandate.

Converting Note Agreement

The Company has entered into a Converting Note Agreement with RuralAus Investments Limited (**Noteholder**) dated 1 November 2006 on the following material terms and conditions:

- (i) (**Principal**): the principal amount of the Converting Note is \$500,000. An application fee of \$50,000 was paid by the Company to the Noteholder at the time of payment of the Principal by the Noteholder;
- (ii) (**Not secured**): the Converting Note is unsecured;



- (iii) **(Conversion):** the Converting Note will automatically convert into 1,250,000 Shares upon the Company receiving conditional approval to list on the Official List of ASX (**Conversion Event**). If the Conversion Event does not occur by 1 May 2007, the Converting Note will automatically convert into Shares on the basis of the most recent issue price of Shares issued by the Company (up to a maximum of \$0.40 per Share); and
- (iv) **(Interest):** interest at a rate of 10% per annum is only payable on the Converting Note if the Conversion Event does not occur by 1 May 2007.

Incentive Option Scheme

The Company has established an employee share option plan (ESOP). The full terms of the ESOP may be inspected at the registered office of the Company during normal business hours.

Objectives

The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of the Company and its subsidiaries.

Consideration

Each option issued under the plan will be issued free of charge.

Exercise Price

The exercise price for options granted under the ESOP will be the price fixed by the Board prior to the grant of the option.

Exercise Restrictions

The options granted under the ESOP may be

subject to such other restrictions on exercise as may be fixed by the Directors prior to grant of the options including, without limitation, length of service by the employee and threshold prices at which Shares are traded on ASX. Any restrictions so imposed by the Directors must be set out on the employee option certificate.

Participation in Dividends, Rights Issues and Bonus Issues

The options granted under the ESOP do not give any right to participate in dividends or rights issues until Shares are allotted pursuant to the exercise of the relevant employee option. The number of Shares issued on the exercise of options will be adjusted for bonus issues made prior to the exercise of the options.

Eligibility

Under the ESOP, the Directors may invite employees to participate in the ESOP and receive options. An employee may receive the options or nominate a relative or associate to receive the options. The plan is open to officers of the Company or its subsidiaries. The number of Shares underlying options granted under the ESOP when aggregated with:

- (a) the maximum number of Shares that could be issued on exercise of unexercised options and any other employee incentive share or option plan; and
- (b) the number of Shares issued on exercise of options under the ESOP and any other employee incentive share or option plan in the last 5 years,



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YEAST



must not exceed 5% of the issued Shares at the time of grant of the options. This restriction will not apply if the Company has a current prospectus under which the options are granted.

Term of options

The options granted under the ESOP have a term specified on the face of each certificate.

Subdivision or Consolidation

If the Company, after having granted any employee option, reduces its issued Share capital or subdivides or consolidates its Shares, the number of the Shares issued to the option holder on exercise of an employee option will be reduced, subdivided or consolidated, as the case may be, in accordance with the ASX Listing Rules.

Restrictions on Transfer

The options are not transferable.

7.3 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares and Options as set out in the table below:

Director	Pro Forma Shares ¹	New Options ²
Michael Perrott	513,334	Nil
Peter Nolin	2,774,468	1,100,000
Bill Hoedemaker ³	5,798,172	1,100,000
John Hoedemaker ³	5,798,172	1,100,000
Paul McKenzie	1,100,001	550,000

Notes:

¹ Pro Forma on issue following completion of the Offer, including the Share consolidation described in Section 1.4 and elsewhere in this Prospectus, as well as the conversion of the Director Options.

² Shareholder approval has been sought for the grant of these New Options to certain Directors at a meeting of Shareholders to be held on 30 November 2006.

³ The interest of both Bill Hoedemaker and John Hoedemaker of 5,798,172 Shares arises by virtue of their holding of 269,669 Shares each and their status as beneficiaries of two discretionary trusts (the Leijenaar Trust and the Ottor Trust). Pieter Hoedemaker as trustee of the Leijenaar Trust will hold 3,039,252 Shares and Pieter Hoedemaker as trustee of the Ottor Trust will hold 2,489,251 Shares, upon the conversion of the Director Options.

7.4 Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$150,000 per annum.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

7.5 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- Director of the Company;
- person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;



- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (iii) the offer of Shares under this Prospectus, and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Horwath Securities (WA) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 5 of this Prospectus. The Company estimates it will pay Horwath Securities (WA) Pty Ltd a total of \$5,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Horwath Securities (WA) Pty Ltd has not received any other fees from the Company.

Horwath Audit (WA) Pty Ltd is the Company's

auditor. During the 24 months preceding lodgement of this Prospectus with the ASIC, Horwath Audit (WA) Pty Ltd has received fees totalling \$25,000 from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and have been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin \$40,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any other fees for legal services.

Patersons Securities Limited has acted as the Lead Manager to the Company in relation to the Offer. The Company estimates it will pay Patersons Securities Limited \$220,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Patersons Securities Limited has not received any other fees.

PKF Corporate Advisory Services (WA) Pty Ltd has acted as the Corporate Advisor to the Company in relation to the Offer. The Company estimates it will pay PKF Corporate Advisory Services (WA) Pty Ltd \$55,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, PKF Corporate Advisory Services (WA) Pty Ltd has not received any other fees.

Synovate Pty Ltd has prepared an Independent Market Report which has been



included in Section 4 of this Prospectus. The Company estimates it will pay Synovate Pty Ltd a total of \$18,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Synovate Pty Ltd has not received any other fees from the Company.

7.6 Consents

Each of the parties referred to in this section:

- does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Horwath Securities (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 5 in the form and context in which the report is included. Horwath Securities (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Horwath Audit (WA) Pty Ltd has given its written consent to being named as Auditor in this Prospectus. Horwath Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin

has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Ltd has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Patersons Securities Limited has given its written consent to being named as the Lead Manager in this Prospectus. Patersons Securities Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

PKF Corporate Advisory Services (WA) Pty Ltd has given its written consent to being named as Corporate and Taxation Advisers in this Prospectus. PKF Corporate Advisory Services (WA) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Synovate Pty Ltd has given its written consent to the inclusion of the Independent Market Report in Section 4 in the form and context in which the report is included. Synovate Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

7.7 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$400,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount
ASIC fees	\$2,010
ASX fees	\$40,000
Advisers' fees	\$332,990
Printing	\$25,000
TOTAL	\$400,000



7.8 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please email the Company at brewery@gageroads.com.au and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.gageroads.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

7.10 Taxation

The acquisition and disposal of Shares in the

Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.11 Forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

7.12 Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Peter A. Nolin

For and on behalf of

Gage Roads Brewing Co Limited

8. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Application Form means the application form accompanying this Prospectus relating to the Offer.

ASIC means Australian Shares & Investments Commission.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Board means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Company or **Gage Roads** means Gage Roads Brewing Co Limited (ABN 22 103 014 320).

Converting Note means the converting note issued to RuralAus Investments Limited on the terms and conditions set out in Section 7.2.

Closing Date means the closing date of the Offer as set out in Section 2.3.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Director Option means an option to subscribe for a Share held by a Director as described in Note 3 on page 16 of this Prospectus.

Executive Directors means Peter Nolin, John Hoedemaker and Bill Hoedemaker.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Hardy Wine Company and **Hardy's** means Hardy Wine Company Limited.

Lead Manager means Patersons Securities Ltd.

Listing Rules means the official listing rules of ASX.

New Option means an option to subscribe for a Share subject to the terms and conditions set out in Section 7.1 of this Prospectus.

Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 4.

Offer Price means \$0.40 per Share.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Prospectus means this prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Computershare Investor Services Pty Ltd.

Shareholder means a holder of Shares.

WST means Western Standard Time, Perth, Western Australia.

Three new natural wonders.

— No additives • No preservatives —



Gage Roads Pure Malt Lager is an authentic lager, conditioned at zero degrees for thirty days to maximise the taste. Exceptionally well balanced, it combines a spicy, fruity hop flavour with a warm, round maltiness. The rewards continue with a gentle, refreshing bitterness in the finish. 4.7% Alc/Vol.



Gage Roads PILS is the first pilsner style midstrength in Australia. It's only 3.5% alcohol by volume but displays all the distinctive qualities of a full strength European pilsner. Crisp and effervescent with a dry refreshing finish, it's a midstrength you'll actually enjoy drinking. 3.5% Alc/Vol.



Gage Roads IPA is a classic hop driven ale showing notes of dark stone-fruit and citrus within a complex floral aroma. It has a clean palate, rich with specialty malt sweetness balanced by a fresh fusion of hop flavour. A rewarding ale, it finishes long and dry with lingering complexity. 5.1% Alc/Vol.


**GAGE
ROADS**
BREWING CO
Beer, naturally.

Registry Use Only

Broker Code

Adviser Code

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

A I/we apply for

Number of Shares in Gage Roads Brewing Co Limited at \$0.40 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

A\$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

<input type="text"/>	<input type="text"/>
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Joint Applicant 3 or Account Designation

<input type="text"/>	<input type="text"/>
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D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to "Gage Roads Brewing Co Limited - Share Offer Account"

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate.
I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 5,000 Shares. Applications for greater than 5,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Gage Roads Brewing Co Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to Gage Roads Brewing Co Limited - Share Offer Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Gage Roads Brewing Co Limited is upon and subject to the terms of the prospectus and the Constitution of Gage Roads Brewing Co Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Perth office of Computershare Investor Services Pty Limited by no later than 5.00pm WST on 6 December 2006. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited OR Computershare Investor Services Pty Limited
GPO Box D182 Level 2
PERTH WA 6840 45 St Georges Terrace
 PERTH WA 6000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 557 010.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Registry Use Only

Broker Code

Adviser Code

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

A I/we apply for

Number of Shares in Gage Roads Brewing Co Limited at \$0.40 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

A\$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

<input type="text"/>	<input type="text"/>
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Joint Applicant 3 or Account Designation

<input type="text"/>	<input type="text"/>
----------------------	----------------------

D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to "Gage Roads Brewing Co Limited - Share Offer Account"

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate.
I/we agree to be bound by the Constitution of the Company.

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B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Gage Roads Brewing Co Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to Gage Roads Brewing Co Limited - Share Offer Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Gage Roads Brewing Co Limited is upon and subject to the terms of the prospectus and the Constitution of Gage Roads Brewing Co Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Perth office of Computershare Investor Services Pty Limited by no later than 5.00pm WST on 6 December 2006. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited OR Computershare Investor Services Pty Limited
GPO Box D182 Level 2
PERTH WA 6840 45 St Georges Terrace
 PERTH WA 6000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 557 010.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



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