



29 September 2009

Company Announcements Office  
Australian Stock Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**FY09 Annual Report - Gage Roads Brewing Co Ltd (ASX: GRB)**

Please find attached the Financial Year 2009 Annual Report.

In lodging the Annual Report for the year ended 30 June 2009, the Board of Gage Roads is pleased to report to the market on the progress being made by the Company on a number of fronts.

1. Contract Brewing Agreement with Woolworths – Gage Roads is currently completing the first monthly order of Dry Dock Premium Lager for Woolworths. Contracted minimum volumes for Dry Dock stand at 350,000 cartons per annum however early indications are that additional production will be needed and options to expand up to a million cases per annum to service Woolworths needs are being investigated.
2. Sales of Gage Roads own brand products – Following the announcement of the Woolworths transaction and the cessation of the distribution agreement with Vok Beverages, Gage Roads products were de-ranged in a number of outlets around the country. We have subsequently been ranged by Woolworths in BWS, Dan Murphy's and Woolworths Liquor outlets around Australia and are working on a self-distribution model for on-premise ranging. Sales results for the September 2009 quarter have been very encouraging and are up 69% over the same period in the previous year.
3. Branding and packaging strategies – In light of our new distribution model Gage Roads is currently revising the branding, packaging and price points of our award winning range of beers. This repositioning is designed to drive sales by targeting a higher volume niche in the market.

-ENDS-

AUSTRALIA'S CRAFT BREWERY

GAGE ROADS BREWING CO LTD  
ABN 22 103 014 320

14 ABSOLON STREET PALMYRA WESTERN AUSTRALIA 6157 PO BOX 2024 PALMYRA DC WESTERN AUSTRALIA 6961  
TELEPHONE: (08) 9331 2300 FACSIMILE: (08) 9331 2400 EMAIL: [brewery@gageroads.com.au](mailto:brewery@gageroads.com.au) WEB: [www.gageroads.com.au](http://www.gageroads.com.au)



For further information please contact:

Nick Hayler  
CEO  
Gage Roads Brewing Co Ltd  
Tel: (08) 9331 2300

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**GAGE ROADS BREWING CO LIMITED  
ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

**ABN 22 103 014 320**

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**Gage Roads Brewing Co Ltd**  
**Annual Report**  
**For the Year Ended 30 June 2009**

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## **Corporate Directory**

### **Directors**

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

### **Chief Executive Officer**

Nick Hayler

### **Company Secretary**

John Hoedemaker

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

14 Absolon Street  
PALMYRA WA 6157  
Tel: (08) 9331 2300  
Fax: (08) 9331 2400  
Web: [www.gageroads.com.au](http://www.gageroads.com.au)

### **Postal Address**

PO Box 2024  
PALMYRA WA 6961

### **Auditor**

BDO Kendalls Audit & Assurance  
(WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008

### **Legal Adviser**

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

### **Stock Exchange Listing**

ASX Limited  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

ASX Code: GRB

### **Share Registry**

Computershare Investor  
Services Pty Limited  
GPO Box D182  
PERTH WA 6840

### *Registry Enquiries*

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

**Gage Roads Brewing Co Ltd  
Financial Report  
For the Year Ended 30 June 2009**

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**Gage Roads Brewing Co Ltd**  
**Chairman's Letter**  
**For the Year Ended 30 June 2009**

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Dear Shareholder

This time last year I wrote that "the past year has been a challenging one for your Company". A year on your Company has experienced a range of highs and lows at both an operational and corporate level.

From an operational perspective, we looked forward to working with Vok Beverages as our new distribution partner on what we believed was a vision shared with them to release a range of new products into the Australian marketplace. Unfortunately, we found that the introduction of our new products into various distribution channels was not as successful as we had hoped for.

This push-back put enormous strain on cash reserves and caused your Board to consider a range of options to ensure the Company had sufficient cash to continue to operate. While revenue from sales was growing through our agreement with Vok Beverages (albeit at a level materially lower than forecast) and operating expenses continued to be reduced, the Company was experiencing a cash burn that required additional capital to be raised.

Shareholders will recall the parlous state of the capital markets late in calendar 2008 and it was in this environment that your Board was forced to go to shareholders and the market with a dilutive 2 for 1 entitlements issue priced at 1 cent per share. The capital raising was successful in bringing in new shareholders and provided Gage Roads with sufficient funds to consider available options and opportunities in a more considered manner than would otherwise have been possible.

For some months, the Company had been in discussions with Woolworths Limited over a material contract brewing opportunity. After nearly six months of negotiation the Board resolved to enter into an agreement with Woolworths to contract brew a new product, Dry Dock Premium Lager, terminate our relationship with Vok Beverages and return to a direct-distribution model. To ensure funding for the expansionary capital expenditure required Woolworths agreed to acquire a 25% stake in your Company.

This ambitious and company defining transaction was approved by Shareholders on June 29. As I write this letter to you our operational team are hard at work delivering on the faith that Woolworths showed in our capability to produce world-class, craft brewed beer.

There is no doubt that the Woolworths transaction has changed your Company and we are now working hard to transition from a 50,000 carton a year operation to one that plans to brew and sell in excess of 400,000 cartons a year initially.

This ramp-up in operations has and will continue to produce many challenges. However, I am comforted by the commitment of the team at Gage Roads to delivering on our short and medium term goals. Shareholders should be in no doubt about the extraordinary level of effort put in by the executive and operational team to bring the Woolworths' transaction to fruition.

While the hard work has only just begun we are well placed now to take your Company into earnings-positive territory and deliver on our desire to generate a shareholder return.



Ian Olson  
**Chairman**

**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Year Ended 30 June 2009**

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## **Review of Operations**

### Highlights

- Contract brewing agreements to increase output to over 350,000 cartons per year
- Woolworths become a cornerstone investor
- Direct distribution model adopted for retail sales
- Operating costs reduced
- Cider development

The 4<sup>th</sup> Quarter of 2009 capped a year of positive change and development for Gage Roads. Highlights include the continued growth in contract brewing opportunities, welcoming Woolworths as a cornerstone investor, the adoption of a new distribution model, continued product development and refinement, capital raising initiatives, significant cost cutting and improvements to our plant and equipment.

In the context of increasing demand for quality contract brewing coupled with limited industry capacity, Gage Roads is well placed to capitalise on the opportunities that arise.

Armed with a team of highly awarded brewers and the scope to increase production with an experienced management team, the Company secured a number of new brewing contracts, positioning the Company well for the future. In addition, growing consumer acceptance and the retail performance of Gage Roads' own products over the last few months has provided the Board and management team with confidence for the outlook for the business.

In June the Company secured a substantial contract brewing agreement with Woolworths. This transaction, combined with other contract brewing commitments and Gage Roads' own brands, increases current production close to installed capacity. However, continued growth in demand will be able to be met through a modest capital outlay which will realise the latent surplus capacity that exists in key production assets.

Woolworths Limited became a cornerstone investor in our Company with a placement of \$1,237,856 at a price of 1.62 cents per share approved by Shareholders on the 29<sup>th</sup> June 2009. This capital is being used to fund some of the equipment that will improve production efficiency and quality assurance. Upgrades are currently underway and production output has already increased.

In December 2008 the Company was also successful in raising \$1.47m through a 2 for 1 rights issue at \$0.01 per share.

While sales were disappointing for the year we have now implemented changes to the distribution and sales models which have seen sales grow in recent months.

For most of FY09 our products were sold and distributed by VOK Beverages. With limited growth in sales resulting from this relationship, we decided to deal directly with the trade. In line with this decision Gage Roads and VOK agreed to terminate the distribution agreement. The convertible note facility in place with VOK was repaid in full.

Distributing directly to the trade enables us to be more competitively priced and to target a broader customer base. This direct distribution model allows Gage Roads to engage in more active joint marketing sales incentives with retailers.

To ensure our objective of strong sales growth for all Gage Roads products we are working on a strategy to maximise our on-premise representation. The on-premise channel provides a launching pad for premium quality beverages in an environment where many consumers trial new products for the first time. We aim to partner with a national wholesaler specialising in on-premise channels that include pubs, hotels, restaurants and clubs.

**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Year Ended 30 June 2009**

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This year we developed three new products for rapidly growing market segments including.

- KUTT                    *low carbohydrate beer with flavour*
- Blue Angel Cider    *premium quality cider using bittersweet NZ apples and real passionfruit*
- Magnum Cider        *premium quality cider using bittersweet NZ apples*

Consumer feedback has been overwhelmingly positive on the taste profile and packaging of the new products.

A series of cost cutting measures implemented across the business reduced overheads by \$1.7 million for the year. This measure ensured that the business has continued operating in a time of uncertainty within the segment and the capital market environment.

The achievements of staff, management and the board during FY09 have positioned Gage Roads well to take advantage of the opportunities which are presenting themselves in the forthcoming year. The focus will continue to be on getting the business to profitability while producing award-winning beer that all consumers can enjoy.



Nick Hayler  
**Chief Executive Officer**



**Gage Roads Brewing Co Ltd  
Directors' Report  
For the Year Ended 30 June 2009**

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**Directors' Report**

Your Directors present their report on Gage Roads Brewing Co Limited for the year ended 30 June 2009.

**Directors**

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

Ian Olson	(Chairman)
Brett Fraser	(resigned 25 September 2008)
Robert Gould	
Steven Greentree	(appointed 30 June 2009)
Bill Hoedemaker	
John Hoedemaker	

**Chief Executive Officer**

Nick Hayler

**Principal activities**

During the year the principal continuing activities of the Company were the brewing, packaging, marketing and selling of craft brewed beer, cider and other beverages.

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

**Dividends**

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

**Review and results of operations**

The loss of the Company for the financial year after providing for income tax amounted to (\$2,037,548) (2008: (\$3,628,868))

A review of the Company's operations and its financial position, business strategies and prospects is located at page 5 of this report.

**Significant changes in the state of affairs**

Significant changes in the state of affairs of the Company during the financial year were as follows:

- (a) **Woolworths Limited** - During the year Woolworths became a cornerstone shareholder in the Company, acquiring 25% of the issued capital of Gage Roads. On 30 June 2009 the Company completed the placement of 76,410,890 ordinary shares to Woolworths Limited in accordance with a resolution of Shareholders and the subscription agreement and received the initial component of the issue price of 1.62 cents per share to raise \$1,237,856.

Under the Subscription Agreement the issue price of these shares is payable in two components. The first component of 1.62 cents per share was paid upon the issue of the shares, to raise \$1,237,856. The second component, 0.88 cents per share, is subject to and payable upon the satisfaction of the tax loss condition, to raise an additional \$672,415.

Approximately \$702,000 of the funds raised from the placement will be used for the purchase and installation of capital equipment and the balance on working capital.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

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Following the placement Steven Greentree, General Manager Woolworths Liquor Group, was appointed a Non-Executive Director in accordance with a resolution of Shareholders.

In addition to the placement, Gage Roads has entered into a supply agreement with Woolworths whereby Gage Roads will contract brew 350,000 cases of beer per year for Woolworths. This Supply Agreement provides Gages Roads with the opportunity to substantially grow its current production volume and realise a greater economy of scale.

Please refer to the initial announcement made to the Australian Stock Exchange on 15 May 2009, the Notice of Meeting announced on 29 May 2009, and the completion announcement on 30 June 2009 for further details.

- (b) **VOK Beverages** - During most of the year the Company's products were sold and distributed by VOK Beverages Pty Ltd in accordance with the exclusive distribution agreement that had been entered into in June 2008. With limited growth in sales resulting from this relationship, the Company decided in May 2009 to pursue a direct distribution model for the sale of all its beer and cider products across Australia.

In line with this decision, Gage Roads and VOK Beverages Pty Ltd agreed to terminate the existing distribution agreement and convertible loan agreement. The convertible loan balance of \$180,634 was repaid to VOK Beverages in full.

By selling and distributing directly to retailers, the Company aims to make its products more competitively priced to a broader customer base. The direct distribution model also allows Gage Roads to engage in more active joint marketing and sales incentive initiatives with retailers.

- (c) **Ballydooly Cider Joint Venture** - During the second half of the financial year the Southern Cross Joint Venture which had been commenced earlier in the financial year between Gage Roads and Ballydooly Cider Company (NZ) was dissolved and wound up. While the Joint Venture was trading the Company acted as the Joint Venture operator and held a 50% share.

The net contribution to the Company's loss attributable to the winding up of the Joint Venture is (\$33,502) representing the writing off of a receivable owing from Ballydooly Cider Co net of the 50% share of the Joint Venture assets received from Ballydooly Cider Co upon the winding up.

- (d) **Capital Raising** - During the year the Company completed a number of capital raising activities including a placement to sophisticated investors raising \$180,000 in September 2008, a 2 for 1 Rights Issue in December 2008 which raised \$1,472,334, a placement January 2009 which raised \$11,075 and the placement to Woolworths in June 2009 which raised \$1,237,856. Further explanation of changes in contributed equity can be found in Note 15 to the Financial Statements.

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

No other matter or circumstance has arisen since 30 June 2009, which has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

**Likely developments and expected results of operations**

The Company will continue to brew, sell and market beer and cider and continue to expand its distribution domestically and internationally.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

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**Information on Directors**

**Ian Olson** CA, BCom, MAICD, AIMM  
(Non-Executive Chairman, appointed 12 November 2007)

*Experience and expertise* - An experienced Chartered Accountant, Ian Olson brings extensive knowledge in corporate advisory, audit and assurance to the Board. Ian is the proprietor and Executive Chairman of the King Group, a diversified surveying, drafting, mapping and GIS business. Prior to the acquisition of the King Group Ian was Managing Partner of PKF Chartered Accountants in Western Australia.

*Other current public directorships* - Diploma Constructions Limited and RuralAus Investments Limited.

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

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

*Interests (direct and indirect) in shares and options* - 2,470,587 shares and nil options in the Company.

**Robert Gould** FCA, FAICD  
(Non-Executive, appointed 12 November 2007)

*Experience and expertise* - Robert Gould has held a number of roles in finance and the management and guidance of start up, early stage and fast growing companies. His experience includes international mergers and acquisition activity and management of a venture capital fund with \$113m under management. Robert was a seed capital investor in Gage Roads and is currently a Director and Shareholder of Javelin Partners Pty Ltd, a private equity advisory business.

*Other current public directorships* - None.

*Former directorships in listed companies in last 3 years* - Chairman of Western Kingfish Limited.

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

*Interests (direct and indirect) in shares and options* - 18,280,986 shares and nil options in the Company.

**Steven Greentree** AAICD  
(Non-Executive, appointed 30 June 2008)

*Experience and expertise* - Steven Greentree is the General Manager of Woolworths' liquor group. Steven was appointed to his current role in the Liquor Group in December 2007 and has responsibility for all Woolworths retail liquor brands. Steven's extensive career with Woolworths has included prior roles such as, General Manager of Woolworths Private Label and Quality Assurance for Australia and New Zealand, General Manager of Marketing for Australian Supermarkets, Operations Manager and Regional Manager for South Australia and the Northern Territory. Steven is a Director of Australian Leisure and Hospitality Group (ALH) Pty Ltd.

*Other current public directorships* - None.

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

*Special responsibilities* - None.

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

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

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**Bill Hoedemaker** BCom

*(Executive Director of Operations and Brewmaster, appointed 3 December 2002)*

*Experience and expertise* - Bill is a founding Shareholder and Director of Gage Roads. He has been a professional Brewer for 10 years, of which 4 were as a member of the multi-award winning brewing team at the Sail & Anchor Pub Brewery and the last 6 years as Brewmaster for Gage Roads. Bill is responsible for brewing operations, capital infrastructure and 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.

*Other current public directorships* - None.

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

*Special responsibilities* - Director of Operations and Brewmaster.

*Interest (direct and indirect) in shares and options* - 404,669 shares and nil options in the Company. Bill is also a beneficiary of two discretionary trusts, The Leijenaar Trust and The Ottor Trust. Pieter Hoedemaker as trustee for The Leijenaar Trust and The Ottor Trust holds 10,528,503 shares and nil options in the Company.

**John Hoedemaker** BCom

*(Executive Chief Financial Officer and Company Secretary, appointed 3 December 2002)*

*Experience and expertise* - 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. John is responsible for the financial, accounting, governance and administration aspects of the business. He provides experience in sales, distribution, finance, marketing and business administration. Prior to his involvement with Gage Roads, John was a shareholder, General Manager and Chief Financial Officer of a successful building products manufacturing business, Architectural & Structural Adhesives (WA), which he managed from a start-up operation through to a trade sale to multi-national conglomerate.

*Other current public directorships* - None.

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

*Special responsibilities* - Chief Financial Officer and Company Secretary.

*Interest (direct and indirect) in shares and options* - 404,669 shares and nil options in the Company. John is also a beneficiary of two discretionary trusts, The Leijenaar Trust and The Ottor Trust. Pieter Hoedemaker as trustee for The Leijenaar Trust and The Ottor Trust holds 10,528,503 shares and nil options in the Company.

**Information on Management**

**Nick Hayler** BBus

*(Chief Executive Officer, appointed 30 October 2007)*

*Experience and expertise* - Nick Hayler holds a Bachelor of Business with a Marketing Major. Prior to his role as CEO he was the Sales and Marketing Manager for Gage Roads. Before joining Gage Roads Nick worked for Coca Cola Amatil for 12 years at both State and National levels in strategic sales positions, including the management of their highly profitable Hotel, Café and Restaurant Channel. Nick's extensive experience in strategic planning and management and his open communication style provide him with the unique skill sets required to lead Gage Roads both internally and in a public company environment.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

**Meetings of Directors**

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2009, and the number of meetings attended by each Director, were as follows:

Directors	Full Meeting of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
	A	B	A	B	A	B
Ian Olson (Non-Executive)	6	6	2	2	1	1
Brett Fraser (Non-Executive)	1	-	n/a	n/a	n/a	n/a
Robert Gould (Non-Executive)	6	6	2	2	1	1
Steven Greentree (Non-Executive)	-	-	n/a	n/a	n/a	n/a
Bill Hoedemaker (Executive)	6	6	n/a	n/a	n/a	n/a
John Hoedemaker (Executive)	6	6	2	2	n/a	n/a

A = number of meetings held during the time the Director held office or was a member of the committee during the year.

B = number of meetings attended.

n/a = not a member of the relevant committee.

**Total shares under options**

Unissued ordinary shares under option at the date of this report are as follows:

Date options granted	Term	Exercise price	Number under option
12-Jul-07	5 Years	\$0.40	750,000
19-Dec-07	5 Years	\$0.20	750,000
19-Dec-07	5 Years	\$0.30	750,000
19-Dec-07	5 Years	\$0.40	750,000
			3,000,000

No option holder has any voting or dividend rights or right under the options to participate in any other share issue of the Company other than a bonus issue.

**Shares issued on the exercise of options**

There were no shares issued on the exercise of options during the year ended 30 June 2009.

**Options granted to Directors**

No options over unissued ordinary shares were granted to Directors during the year ended 30 June 2009.

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

No options over unissued ordinary shares were granted to Key Management Executives and other employees during the year ended 30 June 2009.

**Options cancelled, forfeited or lapsed**

During the year 3,850,000 options that were granted to Directors on 4 December 2006 either lapsed or were voluntarily forfeited and cancelled. Details of the options cancelled, forfeited or lapsed can be found at Notes 20 and 21.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

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**Shares issued to employees**

All eligible employees of the Company (other than Directors and Executive Officers) received shares in recognition of their extraordinary contribution to date. The shares were issued on 22 January 2009 for nil consideration at the discretion of the Board in accordance with the Company's Employee Share Scheme.

Ordinary shares that have been issued to employees of the Company at the date of this report are as follows:

<b>Date shares issued</b>	<b>Number of shares issued</b>
26-Jul-07	70,000
22-Jan-09	4,275,000
	4,345,000

The value of the 4,275,000 shares at the date of issue was \$42,750. Details of the shares issued to employees can be found at Note 20 to the Financial Statements.

**Remuneration Report (Audited)**

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

The Remuneration Committee is responsible for determining and reviewing remuneration packages of all Directors and Key Management Personnel ("KMP") on an annual basis. The Remuneration Committee currently consists of Non-Executive Directors Ian Olson and Robert Gould.

The committee's reward policy reflects its obligation to align Directors' and Executives' remuneration with Shareholders' interests and to retain appropriately qualified talent for the benefit of the Company. The main principles of the policy are:

- (a) the reward considers comparative industry benchmarks and reflects the competitive market in which the Company operates; and
- (b) individual reward should be linked to performance criteria if appropriate; and
- (c) Executives should be rewarded for both financial and non-financial performance; and
- (d) the committee shall have access to external professional advice if required to assist in determining appropriate remuneration.

*Non-Executive Directors* - The Remuneration Committee is responsible for recommending individual Non-Executive Directors' fees within the limit approved by Shareholders. The current aggregate Directors' fee limit is \$150,000. Directors are entitled to have premiums paid for Directors & Officers insurance.

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

- (a) salary - the Key Management Executives and Executive Directors receive a fixed sum payable monthly in cash;
- (b) cash at risk component - Key Management Executives and Executive Directors are eligible to participate in a cash bonus plan if deemed appropriate;
- (c) share and option at risk component - Key Management Executives and Executive Directors may participate in share and option schemes generally being made in accordance with thresholds set in plans approved by Shareholders if deemed appropriate. The Board, however, considers it appropriate to retain the flexibility to issue shares and options to Key Management Executives and Executive Directors outside of an approved option scheme in exceptional circumstances; and
- (d) other benefits - Key Management Executives and Executive Directors are eligible to participate in superannuation schemes, be entitled to have loss of income insurance paid by the Company, be provided a fully expensed Company car or Company car allowance and be provided a fully expensed mobile phone and other forms of remuneration if deemed appropriate.

There is no Company policy in place at this point in time in relation to prohibiting margin lending against financial instruments granted to Directors or Key Management Personnel.

**Gage Roads Brewing Co Ltd  
Directors' Report  
For the Year Ended 30 June 2009**

**Remuneration Report (continued)**

***Principles used to determine the nature and amount of remuneration (continued)***

The objective of the Company's remuneration policy for Directors and other Key Management Personnel is to ensure reward for performance is adequate and appropriate for the results delivered, taking into account competitiveness, reasonableness, acceptability to Shareholders and transparency. The remuneration policy is linked to the Company's performance through the granting of options whose exercise price is linked to an increasing share price and the cash at risk component which is linked to profitability. The market capitalisation of the Company has increased from \$17,828,138 (40¢) at date of listing on the Australian Stock Exchange (13 December 2006) to \$19,974,475 (6.6¢) as at 23 September 2009 and no profits have been recorded or dividends paid during that period.

***Details of remuneration***

Details of the remuneration of the Directors and Key Management Personnel (as defined in AASB 124 Related Party Disclosures) of the Company for the financial year are set out in the following tables. The Key Management Personnel of the Company are the following Non-Executive and Executive Directors and officers of the Company:

*Executive Officers*

Nick Hayler Chief Executive Officer

*Executive Directors*

John Hoedemaker Chief Financial Officer and Company Secretary  
Bill Hoedemaker Director of Operations and Brewmaster

*Non-Executive Directors*

Ian Olson Chairman  
Brett Fraser (resigned 25 September 2008)  
Robert Gould  
Steven Greentree (appointed 30 June 2009)

No other employee had authority or responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, during the financial year.

**2009 Remuneration - Key Management Personnel**

Name	Short term benefits			Post employment benefits	Termination benefits	Share based	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>							
Ian Olson	63,068	-	-	-	-	-	63,068
Brett Fraser	8,250	-	-	-	-	-	8,250
Robert Gould	41,250	-	-	-	-	-	41,250
Steven Greentree	-	-	-	-	-	-	-
Paul McKenzie	-	-	-	-	-	(1,134)*	(1,134)
<i>Sub-total Non-Exec Directors</i>	<i>112,568</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,134)</i>	<i>111,434</i>
<i>Executive Key Management</i>							
Nick Hayler (CEO)	187,500	-	22,831	16,875	-	22,622	249,828
Bill Hoedemaker	120,000	-	19,705	10,800	-	16,866	167,371
John Hoedemaker	145,000	-	15,358	13,050	-	16,866	190,274
Peter Nolin	-	-	-	-	30,000	(2,268)*	27,732
<i>Sub-total Executive</i>	<i>452,500</i>	<i>-</i>	<i>57,894</i>	<i>40,725</i>	<i>30,000</i>	<i>54,086</i>	<i>635,205</i>
<b>Totals</b>	<b>565,068</b>	<b>-</b>	<b>57,894</b>	<b>40,725</b>	<b>30,000</b>	<b>52,952</b>	<b>746,639</b>

\* Options granted to Executive Key Management and Directors are conditional upon continued service with the Company. Upon resignation of Peter Nolin and Paul McKenzie, a number of options did not vest and therefore their value is nil. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed were credited to the expense. Please refer to Note 20 to the Financial Statements for more information.

**Gage Roads Brewing Co Ltd  
Directors' Report  
For the Year Ended 30 June 2009**

**Remuneration Report (continued)  
Details of remuneration (continued)  
2008 Remuneration - Key Management Personnel**

Name	Short term benefits			Post employment benefits	Termination Benefits	Share based	Total
	Cash salary & fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Options \$	
<i>Non-Executive Directors</i>							
Ian Olson	31,667	-	-	-	-	-	31,667
Brett Fraser	20,900	-	-	-	-	-	20,900
Robert Gould	20,900	-	-	-	-	-	20,900
Michael Perrott	16,000	-	-	-	-	-	16,000
Paul McKenzie	29,842	-	-	-	-	8,611*	38,453
<i>Sub-total Non-Exec Directors</i>	<i>119,309</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>8,611</i>	<i>127,920</i>
<i>Executive Key Management</i>							
Nick Hayler (CEO)	142,246	-	31,832	12,877	-	29,479	216,434
Bill Hoedemaker	120,000	-	17,875	10,800	-	55,782	204,457
John Hoedemaker	120,000	-	28,292	10,800	-	55,782	214,874
Peter Nolin	40,000	-	10,960	3,600	110,000	(40,474)*	124,086
<i>Sub-total Executive</i>	<i>422,246</i>	<i>-</i>	<i>88,959</i>	<i>38,077</i>	<i>110,000</i>	<i>100,569</i>	<i>759,851</i>
<b>Totals</b>	<b>541,555</b>	<b>-</b>	<b>88,959</b>	<b>38,077</b>	<b>110,000</b>	<b>109,180</b>	<b>887,771</b>

\* Options granted to Executive Key Management and Directors are conditional upon continued service with the Company. Upon resignation of Peter Nolin and Paul McKenzie, a number of options will not vest and therefore their value is nil. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed were credited to the expense. Please refer to Note 20 to the Financial Statements for more information.

**Service agreements**

Remuneration and other terms of employment for the following Key Management Personnel are formalised in employment agreements. The fixed term agreements regarding Bill Hoedemaker and John Hoedemaker expired on the 23 December 2008, their continued employment is based on an implied extension of those contracts and a new agreement is expected to be formalised during FY10. The significant terms of employment are set out below:

*Nick Hayler - CEO*

- Term of agreement: No fixed term.
- Base salary: \$190,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 1 month notice.
- Bonus entitlement: Up to \$50,000 linked to achieving EBITDA targets.

*Bill Hoedemaker - Director of Operations - Brewmaster*

- Term of agreement: No fixed term.
- Base salary: \$160,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 1 month notice.
- Bonus entitlement: Up to \$50,000 linked to achieving EBITDA targets.

*John Hoedemaker - CFO and Company Secretary*

- Term of agreement: No fixed term.
- Base salary: \$160,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 1 month notice.
- Bonus entitlement: Up to \$50,000 linked to achieving EBITDA targets.

No Director or executive is entitled to any termination payments apart from remuneration payable up to and including the date of termination and payments due by way of accrued leave entitlements.

There are no service agreements in respect of non-executive directors.



**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

**Remuneration Report (continued)**  
**Share-based compensation**

*Options granted to Key Management Personnel*

No options over unissued ordinary shares were granted to Key Management Personnel during the year ended 30 June 2009.

The terms and conditions of all options over unissued ordinary shares in existence at the date of this report affecting remuneration in the previous, this or future reporting periods are as follows:

Name	Date options granted	Expiry date	Vesting date	Vested <sup>^</sup>	Exercise price	Value per option at grant date	Number under option
Nick Hayler	12-Jul-07	12-Jul-12	12-Jul-07	250,000	\$0.40	5.26 cents	250,000
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-07	750,000	\$0.20	3.34 cents	750,000
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-07	Nil	\$0.30	2.02 cents	750,000
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-07	Nil	\$0.40	1.30 cents	750,000
							2,500,000

<sup>^</sup>Nick Hayler's options vest on the 1, 2 and 3 year anniversaries from issue date.

The vesting of the options above are subject to the option holder being an employee or Director of the Company during the vesting periods. No options will vest if the conditions are not met, hence the minimum value of the options is nil. The options are linked to performance as their value is linked to an increasing share price over the term of the option. The maximum value has been determined as the fair value per option at grant date multiplied by the number of options. No cash bonuses were paid to or forfeited by Directors during the financial year. Further details of the options granted to Key Management Personnel can be found at Notes 20 and 21 to the Financial Statements.

*Shares issued to Key Management Personnel on the exercise of options*

No ordinary shares were issued during the financial year on the exercise of options granted to Key Management Personnel. (2008: Nil).

*Value of Key Management Personnel options granted, exercised and lapsed*

The value of Key Management Personnel options granted, exercised or lapsed during the year was as follows. These options are the only at-risk elements of these directors' remuneration and no other directors received at-risk-based remuneration during the year.

Name	Options granted Value at grant date	Options exercised Value at exercise date	Options lapsed Value at time of lapse <sup>^</sup>	Total value of options granted, exercised and lapsed	Value of options included in remuneration	% of total remuneration consisting of options	% of total remuneration related to performance
	\$	\$	\$	\$	\$	%	%
Nick Hayler	-	-	-	-	22,622	9.0	-
Bill Hoedemaker	-	-	-	-	16,866	10.1	-
John Hoedemaker	-	-	-	-	16,866	8.8	-
Paul McKenzie	-	-	-	-	(1,134)*	-	-
Peter Nolin	-	-	-	-	(2,268)*	-	-

<sup>^</sup> The value of the 3,850,000 options that were forfeited, lapsed and cancelled during the year is \$0 as their exercise price was lower than the share price at the time of cancellation.

\* Upon resignation of Peter Nolin and Paul McKenzie a number of options did not vest and therefore their value is nil. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed were credited to the expense.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2009**

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All options were valued using the Black Scholes pricing model or the Binomial pricing model, convert into one ordinary share and carry no dividend or voting rights. Further details of the option valuations and model inputs can be found at Note 20 to the Financial Statements.

No cash bonuses were paid to or forfeited by any directors during the current or prior financial year.

**Loans to Directors and Executives**

The Company has not made any loans to Directors or Executives during the financial year to 30 June 2009 and has no carried forward loans from prior years.

**Environmental regulation**

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

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

**Insurance of officers**

During the financial year the Company paid a premium of \$5,461 to insure the Directors and Secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Auditor**

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

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

**Gage Roads Brewing Co Ltd  
Directors' Report  
For the Year Ended 30 June 2009**

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**Non-Audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of audit and non-audit services can be found in Note 22 to the Financial Statements.

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

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



Ian Olson  
**Chairman**

Palmyra

Dated this 29<sup>th</sup> day of September 2009

**Gage Roads Brewing Co Ltd  
Corporate Governance Statement  
For the Year Ended 30 June 2009**

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## **Corporate Governance Statement**

In accordance with ASX Listing Rule 4.10.3 this Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles and Recommendations 2<sup>nd</sup> Edition (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company is required to provide a statement in this and future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company has in place a corporate governance policy which is posted in a Company Information section of the Company's website at [www.gageroads.com.au](http://www.gageroads.com.au).

## **BEST PRACTICE RECOMMENDATIONS**

### **1 Lay solid foundations for management and oversight**

- 1.1 *Companies should establish the functions reserved to the Board and those delegated to senior Executives and disclose those functions.* The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director and other Executive Directors.
- 1.2 *Companies should disclose the process for evaluating the performance of senior executives.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating executive performance. The Board did not meet during the year to specifically evaluate the performance of senior executives.

### **2 Structure the Board to add value**

- 2.1 *A majority of the Board should be independent Directors.* Whilst less than half of the current Board are independent Directors (which is not in accordance with the Best Practice Recommendations) your Directors are of the view that the Board is structured in such a way so as to add value and that the number of Directors is appropriate for the size and complexity of the business.
- 2.2 *The chair should be an independent Director.* The Chairman, Ian Olson, is considered an independent Chairman as he satisfies the principles of the test for independence as set out in the ASX principles.
- 2.3 *The roles of chair and Chief Executive Officer should not be exercised by the same individual.* The Chief Executive Officer and Chairperson are different people.
- 2.4 *The Board should establish a nomination committee.* It is not Company policy to have a nomination committee given the size and scope of Gage Roads Brewing Co Ltd. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process, facilitated by the Chairman in consultation with the Company's external professional advisors.
- 2.5 *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating its performance. The Board has not met during the year to specifically evaluate the performance of Board members and senior executives.
- 2.6 *Provide the information indicated in Guide to Reporting on Principle 2.* Information such as the skills, experience and expertise of each Director relevant to their positions and the term they have held office can be found in the Directors' Report. There is a procedure in place which provides for Directors to take independent professional advice at the expense of the Company with the prior approval of the Chairman. The Corporate Governance Policy has been posted on the Company's website.

**Gage Roads Brewing Co Ltd**  
**Corporate Governance Statement**  
**For the Year Ended 30 June 2009**

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**3 Promote ethical and responsible decision-making**

3.1 *Establish a code of conduct and disclose the code or a summary of the code as to:*

- (a) *the practices necessary to maintain confidence in the Company's integrity,*
- (b) *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- (b) *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company's Corporate Governance Policy includes a Corporate Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct in employment.

3.2 *Companies should establish a policy concerning trading in company securities by Directors, senior Executives and employees, and disclose the policy or a summary of that policy.* The Company's current Corporate Governance Policy includes a Security Trading Policy providing guidelines for buying and selling securities in the Company by Directors and employees. Full details of The Securities Trading Policy can be found in the Corporate Governance Policy which has been posted on the Company's website. In summary, Directors are required to notify the Chairman (and the Chairman notify the Board) of their intention to trade, confirm that they do not hold any insider information, have been advised by the Chairman (or Board) that there is no reason to preclude trading, and complied with any conditions on trading imposed by the Chairman (or Board) including for example, time limits. Employees are required to notify and obtain clearance from the Company Secretary before trading.

3.3 *Provide the information indicated in Guide to Reporting on Principle 3.* The Corporate Governance Policy has been posted on the Company's website.

**4 Safeguard integrity in financial reporting**

4.1 *The Board should establish an Audit Committee.* The Board has an Audit Committee.

4.2 *The Audit Committee should be structured so that it:*

- (a) *consists of only Non-Executive Directors,*
- (b) *consists of a majority of independent Directors,*
- (c) *is chaired by an independent chair, who is not chair of the Board, and*
- (d) *has at least three members.*

The Audit Committee consists of two Non-Executive Directors Ian Olson and Robert Gould (Chairman of the Audit Committee). The Audit Committee Chairman is not independent and is not the chairperson of the Board. Whilst not in accordance with the Best Practice Recommendations, the Company is of the view that the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned.

4.3 *The Audit Committee should have a formal charter.* The Company's Corporate Governance Policy includes a formal charter for the Audit Committee.

4.4 *Provide the information indicated in "Guide to Reporting on Principle 4".* Information such as the names and qualifications of members of the Audit Committee, the number of meetings of the Audit Committee and the names of the attendees can be found in the Directors' Report. The Audit Committee charter and procedures for the selection and appointment of the external auditor are incorporated in the Corporate Governance Policy which has been posted on the Company's website.

**Gage Roads Brewing Co Ltd**  
**Corporate Governance Statement**  
**For the Year Ended 30 June 2009**

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**5 Make timely and balanced disclosure**

- 5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior Executive level for that compliance.* The Company has a continuous disclosure policy in place designed to ensure the factual presentation of the Company's financial position.
- 5.2 *Provide the information indicated in "Guide to Reporting on Principle 5".* The continuous disclosure policy is incorporated in The Corporate Governance Policy which has been posted on the Company's website.

**6 Respect the rights of Shareholders**

- 6.1 *Companies should design a communications policy for promoting effective communication with Shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.* The Company's Corporate Governance Policy includes a Shareholder communications policy which aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders through continuous disclosure to the ASX, the annual report, half year financial report, and quarterly reports, notices of meetings, the annual general meeting and periodic newsletters, all of which are posted on the Company's website at [www.gageroads.com.au](http://www.gageroads.com.au).
- 6.2 *Provide the information indicated in "Guide to Reporting on Principle 6".* The Shareholder communications policy is incorporated in The Corporate Governance Policy which has been posted on the Company's website.

**7 Recognise and manage risk**

- 7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.* The Company's Corporate Governance Policy includes a risk management and internal compliance and control policy. The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.
- 7.2 *The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.* The Company's Corporate Governance Policy includes a risk management and internal compliance and control policy which delegates the responsibility of risk management and internal compliance to management and outlines the Company's process of risk management, internal compliance and control. Management reports on the management of material business risks at Board meetings.
- 7.3 *The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.* The statement made in accordance with section 295A of the Corporations Act advises that the statement is founded on a sound system of risk management and internal control and that the Company's risk management and internal compliance and control system, to the extent that they relate to financial reporting, are operating efficiently and effectively in all material respects.
- 7.4 *Provide the information indicated in "Guide to Reporting on Principle 7".* A description of the Company's risk management and internal compliance and control systems is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

**8 Remunerate fairly and responsibly**

- 8.1 *The Board should establish a Remuneration Committee.* The Company's Remuneration Committee comprises two Non-Executive Directors Ian Olson and Robert Gould. Whilst not in accordance with the Best Practice Recommendations, the Company is of the view that the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the

**Gage Roads Brewing Co Ltd**  
**Corporate Governance Statement**  
**For the Year Ended 30 June 2009**

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appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive and counter productive.

- 8.3 *Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.* Non-Executive Directors Ian Olson and Robert Gould are paid a set fee of \$50,000 each per annum. The Company's Constitution provides that the remuneration of Non-Executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$150,000 per annum. Further information of Executive and Non-Executive remuneration can be found in the section headed "Remuneration Report" in the Directors' Report.
- 8.4 *Provide the information indicated in "Guide to Reporting on Principle 8".* Information such as the names and qualifications of members of the Remuneration Committee, the number of meetings of the Remuneration Committee and the names of the attendees can be found in the Directors' Report. The Company has not yet adopted a formal policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. The Remuneration Committee charter is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

29 September 2009

The Directors  
Gage Roads Brewing Co Limited  
14 Absolon Street  
PALMYRA WA 6127

Dear Sirs

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF GAGE ROADS BREWING CO LIMITED**

As lead auditor of Gage Roads Brewing Co Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.



**Glyn O'Brien**  
Director



**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Signed at Perth, Western Australia



**Gage Roads Brewing Co Ltd**  
**Directors' Declaration**  
**As at 30 June 2009**

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The directors of the company declare that:

- (a) the financial statements comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the remuneration disclosures included on pages 12 to 16 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.
- (d) The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Ian Olson  
**Chairman**

Palmyra

Dated this 29<sup>th</sup> day of September 2009

**Gage Roads Brewing Co Ltd**  
**Income Statement**  
For the year ended 30 June 2009

	Notes	2009 \$	2008 \$ <i>Restated</i>
<b>Revenue</b>	3	<b>1,357,409</b>	1,534,540
Other income		<b>5,848</b>	6,979
Raw materials, consumables & delivery		<b>(611,592)</b>	(712,970)
Operating expenses		<b>(353,583)</b>	(464,247)
Employee benefit expenses		<b>(1,581,649)</b>	(2,124,770)
Depreciation and amortisation expenses	4	<b>(148,521)</b>	(142,006)
Sales and marketing expenses		<b>(437,991)</b>	(1,371,644)
Administration expenses		<b>(381,437)</b>	(510,245)
Occupancy expenses		<b>(144,123)</b>	(113,102)
Finance costs	4	<b>(37,469)</b>	(43,128)
<b>Loss before income tax</b>		<b>(2,333,108)</b>	(3,940,593)
Income tax benefit	5	<b>295,560</b>	311,725
<b>Loss for the year</b>		<b>(2,037,548)</b>	(3,628,868)
<b>Loss attributable to members of Gage Roads Brewing Co Ltd</b>		<b>(2,037,548)</b>	(3,628,868)
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	18	<b>(0.01)</b>	(0.07)
Diluted earnings per share	18	<b>(0.01)</b>	(0.07)

*The above income statement should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Balance Sheet**  
**As at 30 June 2009**

	Notes	2009 \$	2008 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,670,766	698,537
Trade and other receivables	7	215,403	490,329
Inventories	8	600,407	581,565
<b>Total current assets</b>		<u>2,486,576</u>	<u>1,770,431</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	2,445,037	2,507,781
Intangible assets	10	3,769	3,769
<b>Total non-current assets</b>		<u>2,448,806</u>	<u>2,511,550</u>
<b>Total assets</b>		<u>4,935,382</u>	<u>4,281,981</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	623,473	593,951
Borrowings	12	185,530	182,390
<b>Total current liabilities</b>		<u>809,003</u>	<u>776,341</u>
<b>Non-current liabilities</b>			
Provisions	13	28,888	-
Borrowings	14	125,594	279,113
<b>Total non-current liabilities</b>		<u>154,482</u>	<u>279,113</u>
<b>Total liabilities</b>		<u>963,485</u>	<u>1,055,454</u>
<b>Net assets</b>		<u>3,971,897</u>	<u>3,226,527</u>
<b>EQUITY</b>			
Contributed equity	15	15,735,908	13,005,942
Share options reserve	16	338,029	285,077
Accumulated losses	16	(12,102,040)	(10,064,492)
<b>Total equity</b>		<u>3,971,897</u>	<u>3,226,527</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2009**

	Notes	2009 \$	2008 \$
<b>Total equity at the beginning of the financial year</b>		<u>3,226,527</u>	<u>4,369,512</u>
<b>Loss for the year</b>		<u>(2,037,548)</u>	<u>(3,628,868)</u>
<b>Total recognised income and expense for the year attributable to the members of Gage Roads Brewing Co Ltd</b>		<u>(2,037,548)</u>	<u>(3,628,868)</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	15	2,729,966	2,351,740
Director share options issued	16	30,330	135,481
Other share options issued	16	22,622	(1,338)
		<u>2,782,918</u>	<u>2,485,883</u>
<b>Total equity at the end of the financial year</b>		<u>3,971,897</u>	<u>3,226,527</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Cash Flow Statement**  
**For the year ended 30 June 2009**

	Notes	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,712,570	2,458,208
Payments to suppliers and employees (inclusive of GST)		<u>(3,827,482)</u>	<u>(6,146,278)</u>
		<b>(2,114,912)</b>	<b>(3,688,070)</b>
Interest received		26,692	75,321
Interest paid		(37,469)	(43,128)
Income tax refund received		607,285	-
<b>Net cash outflow from operating activities</b>	17	<u>(1,518,404)</u>	<u>(3,655,877)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(45,508)	(328,516)
Proceeds from sale of property, plant and equipment		6,554	-
<b>Net cash outflow from investing activities</b>		<u>(38,954)</u>	<u>(328,516)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities (gross)		2,901,266	2,407,323
Equity raising transaction costs		(171,300)	(72,383)
Proceeds from borrowings		733,297	17,402
Repayment of borrowings		(933,676)	(145,188)
<b>Net cash inflow from financing activities</b>		<u>2,529,587</u>	<u>2,207,154</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>972,229</b>	<b>(1,777,239)</b>
Cash and cash equivalents at the beginning of the financial year		698,537	2,475,776
<b>Cash and cash equivalents at the end of the financial year</b>	6	<u>1,670,766</u>	<u>698,537</u>

*The above cash flow statement should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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, unless otherwise stated.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

*Compliance with IFRS*

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

*Historical cost convention*

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

*Critical Accounting Estimates and Significant Judgements*

The preparation of Financial Statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in the notes as required.

**(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 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 23). 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 23). 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**

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 cashflows 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency of payments, are considered indicators that the trade

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate. Cashflows 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**

*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 for work-in-progress and finished goods. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(j) Financial assets**

The Company classifies its financial assets into the following categories: loans and receivables.

*(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 trade receivables in the balance sheet (note 7).

Regular purchases and sales of financial assets are recognised on trade-date, i.e. when committed. Financial assets are de-recognised when the rights to receive the cashflows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

**(k) Fair value estimation**

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Company for similar financial instruments.

**(l) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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



**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(l) Property, plant and equipment (continued)**

Depreciation is calculated using both the straight line and reducing balance methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Brewery, plant & equipment	3.33% - 30%
Office equipment	7.50% - 50%
Motor vehicles	13.64% - 18.75%

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

**(m) Intangible assets**

*Trademarks*

Trademarks are treated as having an indefinite useful life because they are expected to contribute to the net cash flows indefinitely. Therefore, the trademarks would not be amortised until their useful life is determined to be finite. They would be individually tested for impairment in accordance with AASB 136 annually and whenever there is an indication that any of the trademarks may be impaired. They are carried at cost.

**(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

**(o) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the 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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service.

*(iii) Share-based payments*

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each 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.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

**(s) Goods and services tax**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the 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.

**(t) Foreign currency**

The functional and presentational currency of Gage Roads Brewing Co. Ltd is the Australian dollar. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(u) Earnings per share**

*Basic earnings per share*

This is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

This adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(v) Going concern**

The Company has adopted a strategic plan which addresses the fundamental requirement of the business to increase both distribution outlets and volume per outlet to increase total revenue and achieve profitability. The contract brewing agreement with Woolworths Limited and the anticipated growth of the Company's proprietary brands is expected to contribute significantly toward achieving profitability.

The Company monitors its forecasts and cash flows continuously to ensure the Company has sufficient working capital and the financial flexibility required to implement its strategic plan. Current cashflow forecasts show the Company has sufficient funds to meet its obligations as and when they become due and payable. Notwithstanding the loss for the half-year, these financial statements have been prepared on a going concern basis on this basis.

Should the Company not continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

**(w) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

*AASB 8: Operating Segments*

AASB 8 should not result in a significant change in the approach to segment reporting, which requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The standard is not expected to impact on the company's segment reporting significantly, as under the management approach, segments will be disclosed in a similar manner to how they are currently. The revised standard will become mandatory for the company's 2010 financial statements, including the 31 December 2009 interim report.

*AASB 123: Borrowing Costs*

The revised standard has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard will remove the company's current practice of expensing borrowing costs in full. There would have been no impact on the current year results had this policy been adopted and future impacts will depend on the future acquisition, construction and production of qualifying assets yet to be undertaken. The revised standard will become mandatory for the company's 2010 financial statements, including the 31 December 2009 interim report.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.*

It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. The revised standard will become mandatory for the company's 30 June 2010 financial statement, including the 31 December 2009 interim report. The company has not yet determined the potential effect of the revised standard on the disclosures.

*AASB 136 Impairment of Assets*

The revised standard requires additional disclosures requirements about discounted cash flow assumptions used for the fair value less costs to sell method. The revised standard will become mandatory for the company's 30 June 2010 financial statement. There will be no financial impact when these amendments are adopted because these amendments relate to additional disclosure requirements only.

None of the other standards changes or Interpretations are expected to affect the accounting policies of the company.

**(x) Excise Tax - Restatement of Comparatives**

As of the 1 July 2008 the Company has adopted an accounting treatment which accounts for Excise Tax as monies received on behalf of a third party and not as revenue. Consequentially in order to provide an accurate comparison, the comparative period's year ended 30 June 2008 revenue has been adjusted to present revenue net of Excise Tax collected. Excise tax collected is accounted for as a current liability until it is paid on a weekly basis. There is a corresponding decrease in the Raw Materials, Excise, Consumables and Delivery comparative. The financial impact of this change in accounting treatment is disclosed in Note 3 to this annual report.

**(y) Provisions**

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**Note 2 : Financial Risk Management**

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The Company's activities expose it to a variety of financial risks, market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the management team under policies approved by the Board of Directors. Details of policies for each risk are detailed below. The Carrying Value and Fair Value of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

	2009 \$	2009 \$	2008 \$	2008 \$
	Fair Value	Carrying Value	<i>Restated</i> Fair Value	<i>Restated</i> Carrying Value
<b>Financial assets</b>				
Cash and cash equivalents	1,670,766	1,670,766	698,537	698,537
Trade and other receivables	215,403	215,403	490,329	490,329
	<b>1,886,169</b>	<b>1,886,169</b>	1,188,866	1,188,866
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	439,559	439,559	499,596	499,596
Borrowings	295,425	311,124	411,387	461,503
Other financial liabilities	76,671	76,671	94,355	94,355
	<b>811,655</b>	<b>827,354</b>	1,005,338	1,055,454

**(a) Market risk**

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company does not have any significant exposure to foreign exchange risk.

(ii) *Price risk*

The Company does not have any investments classified as available-for-sale or at fair value through profit or loss and therefore does not have any exposure to price risk.

(iii) *Cash flow interest rate risk*

Refer to (d) over page.

**(b) Credit risk**

Credit risk arises in relation to cash and cash equivalents and deposits with financial institutions. Cash transactions are limited to high credit quality financial institutions.

Credit risk also arises in relation to trade receivables. The Company only has a credit risk concentration in trade receivables with respect to national wholesalers and Woolworths Ltd, through their purchasing of large quantities of goods. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

The maximum exposure to credit risk is the carrying amount of the financial assets as disclosed above.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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

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**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities or Shareholder support. The Company has no committed credit facilities at year-end. The Company has relied on equity raising and prudent management to manage this risk.

<b>2009</b>	<b>&lt; 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	<b>Carrying Value</b>
Trade payables	252,457	-	-	252,457	252,457
Other payables	294,345	-	-	294,345	294,345
Loans & leases	185,530	62,897	62,897	311,324	311,124
<b>Total Payable</b>	<b>732,332</b>	<b>62,897</b>	<b>62,897</b>	<b>858,126</b>	<b>857,926</b>

<b>2008 (restated)</b>	<b>&lt; 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	<b>Carrying Value</b>
Trade payables	303,893	1,809	-	305,702	305,702
Other payables	195,703	102,470	76,871	375,043	375,043
Loans & leases	182,390	55,744	205,967	444,101	461,503
<b>Total Payable</b>	<b>681,986</b>	<b>160,022</b>	<b>282,838</b>	<b>1,124,846</b>	<b>1,142,248</b>

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

The Company's interest-bearing assets are at floating interest rates, thereby exposing the Company to cash flow interest-rate risk through changes in market interest rates. The Company policy is to accept this risk by linking in deposit terms with funding requirements and market interest rates available for different terms.

As at 30 June 2009, if interest rates had changed by +/- 100 basis points from the year-end rates and all other variables held constant, the loss for the year would have been \$7,490 higher/lower (2008: \$9,293 higher/lower) from interest income on cash and cash equivalents.

The Company's long term borrowings are at a fixed interest rate and as such there is no risk to the Company's interest payments and operational cash flows arising from its liabilities.

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**Note 3 : Revenue**

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	<b>2009</b>	2008
	<b>\$</b>	<b>\$</b>
		<i>Restated</i>
<i>Revenue</i>		
Sale of goods	<b>1,526,024</b>	2,105,103
Less: Excise tax collected	<b>( 194,236)</b>	( 629,229)
Interest	<b>25,621</b>	58,666
	<b>1,357,409</b>	1,534,540
<i>Other revenue</i>		
Sundry sales	<b>5,848</b>	6,979
	<b>5,848</b>	6,979

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**Note 3 : Revenue (continued)**

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**(a) Accounting policies, estimations, methods and measurement**

The accounting policies, estimations, methods and measurement bases used in this annual report are the same as those used in the last annual report (financial year ended 30 June 2008), other than the reclassification of Excise Tax. As of 1 July 2008 the Company adopted an accounting treatment which accounts for Excise Tax as monies received on behalf of a third party and not as revenue. In comparison to previous reports the financial statements presented in this annual report and the last half-year report present revenue and raw materials, consumables & delivery expense net of Excise Tax. Consequentially in order to provide an accurate comparison, the comparative period's (financial year ended 30 June 2008) revenue and raw materials, consumables & delivery expense have been adjusted to present amounts net of Excise Tax. The impact has been a decrease in Revenue of \$629,229, with a corresponding decrease in Raw Materials, Consumables and Delivery.

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**Note 4 : Expenses**

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	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Loss before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	122,880	109,721
Office equipment	9,517	8,817
Motor vehicles	16,124	21,254
Total depreciation	148,521	139,792
<i>Amortisation</i>		
Establishment expenses	-	2,214
Total amortisation	-	2,214
<i>Bad Debt Expense</i>		
Bad debts written off	620	1,205
Bad Debts Expensed	620	1,205
<i>Finance costs</i>		
Interest and finance charges paid/payable	37,469	43,128
Finance costs expensed	37,469	43,128
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	132,280	100,713
Total rental expense relating to operating leases	132,280	100,713
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	110,822	132,915
Total defined contribution superannuation expense	110,822	132,915
<i>Loss on unwinding of Ballydooly joint venture</i>		
Write off of receivable net of JV assets received	33,502	-
Total loss on unwinding of joint venture	33,502	-
<i>Loss on disposal of property, plant &amp; equipment</i>		
Loss on disposal of property, plant & equipment	3,177	-
Total loss on disposal of property, plant & equipment	3,177	-

**Gage Roads Brewing Co Ltd**  
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**Note 5 : Income tax expense / (benefit)**

	2009 \$	2008 \$
<b>(a) Income tax expense / (benefit)</b>		
Current tax	-	-
Deferred tax -origination & reversal of temporary differences	-	-
R & D tax offset refund	<u>( 295,560)</u>	<u>( 311,725)</u>
	<u>( 295,560)</u>	<u>( 311,725)</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss before income tax expense	<u>( 2,037,548)</u>	<u>( 3,628,868)</u>
Tax at the Australian tax rate of 30% (2008 - 30%)	<u>( 611,264)</u>	<u>( 1,088,660)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	15,886	45,283
Fines and entertaining	1,382	2,862
	<u>( 593,996)</u>	<u>( 1,040,515)</u>
Taxation benefit not recognised	593,996	1,040,515
R & D tax offset refund	<u>(295,560)</u>	<u>( 311,725)</u>
Income tax expense / (benefit)	<u>( 295,560)</u>	<u>( 311,725)</u>
<b>(c) Unrecognised tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<u>8,975,876</u>	<i>restated</i> <u>7,359,338</u>
Potential tax benefit @ 30%	<u>2,692,763</u>	<u>2,207,801</u>
<b>(d) Unrecognised temporary differences</b>		

Deferred tax assets and liabilities have not been brought to account in 2009 after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the immediate future that taxable profits will be available against which the benefit of the deductible temporary differences can be claimed. The level of DTAs and DTLs not recognised, other than the losses noted above, are both immaterial and net to a nominal level, hence the unrecognised tax losses approximate the overall net deferred tax assets not brought to account in 2009.

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

	2009 \$	2008 \$
Cash at bank and in hand	<u>1,670,766</u>	<u>698,537</u>
	<u>1,670,766</u>	<u>698,537</u>

**(a) Reconciliation to cash at the end of the year**

The above figure agrees to cash at the end of the financial year as shown in the cash flow statement.

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

The cash at bank and in hand balances above bear interest rates of between 0% and 6%.



**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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

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	2009	2008
	\$	\$
Trade receivables	212,894	124,048
GST receivable	-	36,166
R & D tax offset receivable	-	311,725
Other receivables	2,509	18,390
	<b>215,403</b>	<b>490,329</b>

**(a) Bad and doubtful trade receivables**

Bad and doubtful trade receivables that are known to be uncollectable during the year ended 30 June 2009 have been written off. The Company is unaware of any doubtful trade receivables and has not made any allowance for any doubtful trade receivables as of 30 June 2009. Bad trade receivables which have been expensed to bad debts expense are amounts past due which are uncollectable from one debtor who did not settle their obligations. Please see note 4 Bad Debt Expense for receivables written off during the year.

**(b) Interest rate risk**

There are no interest-bearing balances in receivables, therefore the Company has no interest rate risk.

**(c) Past due but not impaired**

As of 30 June 2009 trade receivables of \$84,671 (2008 - \$27,954) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2009	2008
	\$	\$
Up to 3 months	84,671	27,954
3 to 6 months	-	-
	<b>84,671</b>	<b>27,954</b>

**(d) Fair value and credit risk**

Due to their short-term nature, the fair value of receivables approximates their carrying value. The maximum exposure to credit risk is their carrying value above. The Company only has a credit risk concentration with respect to its major customers. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. See note 2 for more information on the risk management policy of the Company.

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**Note 8 : Current assets - Inventories**

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	2009	2008
	\$	\$
Raw material and stores - at cost	461,423	435,682
Work-in-progress - at cost	42,972	37,156
Finished goods - at cost	96,012	108,728
	<b>600,407</b>	<b>581,565</b>

**Inventory expense**

Inventories recognised as an expense (cost of goods sold) during the year ended 30 June 2009 amounted to \$611,592 (2008 restated: \$712,970). Inventories written off during the year as new product development costs, obsolete stock and operational waste amounted to \$17,490 (2008 restated: \$34,949).

**Gage Roads Brewing Co Ltd**  
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**Note 9 : Non-current assets - Property, plant and equipment**

	Plant and equipment	Office equipment	Motor vehicles	Total
<b>At 1 July 2007</b>				
Cost or fair value	2,390,647	57,971	202,387	2,651,005
Accumulated depreciation	(227,110)	(27,089)	(77,749)	(331,948)
Net book amount	2,163,537	30,882	124,638	2,319,057
<b>Year ended 30 June 2008</b>				
Opening net book amount	2,163,537	30,882	124,638	2,319,057
Additions	316,822	11,694	-	328,516
Depreciation charge	(109,721)	(8,817)	(21,254)	(139,792)
Closing net book amount	2,370,639	33,758	103,384	2,507,781
<b>At 30 June 2008</b>				
Cost or fair value	2,707,470	69,664	202,387	2,979,521
Accumulated depreciation	(336,831)	(35,906)	(99,003)	(471,740)
Net book amount	2,370,639	33,758	103,384	2,507,781
<b>Year ended 30 June 2009</b>				
Opening net book amount	2,370,639	33,758	103,384	2,507,781
Additions	95,783	-	-	95,783
Depreciation charge	(122,880)	(9,517)	(16,124)	(148,521)
Disposals	-	(465)	(9,541)	(10,006)
Closing net book amount	2,343,542	23,776	77,719	2,445,037
<b>At 30 June 2009</b>				
Cost or fair value	2,803,253	69,664	202,387	3,075,304
Accumulated depreciation	(459,711)	(45,888)	(124,668)	(630,267)
Net book amount	2,343,542	23,776	77,719	2,445,037

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

Refer to note 14 for information on non-current assets pledged as security by the Company.

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

<b>At 1 July 2007</b>	
Cost or fair value	3,769
Net book amount	3,769
<b>Year ended 30 June 2008</b>	
Opening net book amount	3,769
Closing net book amount	3,769
<b>Year ended 30 June 2009</b>	
Opening net book amount	3,769
Closing net book amount	3,769

**Trademarks**

Trademarks are considered to have a indefinite useful life, in accordance with note 1(m).

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
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**Note 11 : Current liabilities - Trade and other payables**

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	2009	2008
	\$	\$
Trade payables	252,457	303,893
GST payable	11,243	-
R & D tax offset expenses payable	29,556	62,345
Revenue received in advance (a)	96,000	-
Other payables (b)	234,217	227,713
	623,473	593,951

**(a) Revenue received in advance**

Revenue received in advance recognises prepayment of contract brew revenue in the form of a deposit. The contract brew is expected to be performed within the next 3 months.

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

Other payables include accruals for annual leave. The entire obligation is expressed as Current as the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave within the next 12 months. The estimated leave that is not expected to be taken in the next twelve months is \$76,671 (2008: \$94,355)

**(c) Risk exposure**

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

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**Note 12 : Current liabilities - Borrowings**

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	2009	2008
	\$	\$
<b>Secured</b>		
Lease liabilities (note 23)	35,307	43,865
Other loans (a)	150,223	138,525
Total secured current borrowings	185,530	182,390
Total current borrowings	185,530	182,390

**(a) Other loans**

These are chattel mortgages secured over specific assets to be repaid within 1 year.

**(b) Interest rate exposure**

All the above secured borrowings are at fixed rates and therefore the Company is exposed to fair value interest-rate risk through changes in market interest rates.

**(c) Fair value disclosures**

The fair value of borrowings for the Company are consistent with their carrying values above due to their short term nature.

**(d) Security**

Details of the security relating to each of the secured liabilities are set out in note 14.

**Gage Roads Brewing Co Ltd**  
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**Note 13 : Non Current liabilities - Provisions**

	2009 \$	2008 \$
Provision for long service leave	28,888	-
	<u>28,888</u>	<u>-</u>

**Note 14 : Non-current liabilities - Borrowings**

	2009 \$	2008 \$
<b>Unsecured</b>		
Convertible Note (a)	-	17,402
Total unsecured non-current borrowings	<u>-</u>	<u>17,402</u>
<b>Secured</b>		
Lease liabilities (note 23)	14,106	-
Other loans (b)	111,488	261,711
Total secured non-current borrowings	<u>125,594</u>	<u>261,711</u>
Total non-current borrowings	<u>125,594</u>	<u>279,113</u>

**(a) Convertible Note**

The convertible note with Vok Beverages Pty Ltd was interest free, unsecured and provided for the funds to be converted into ordinary shares on a quarterly basis at a 12.5% discount to the prevailing VWAP of Gage Roads shares. The terms of the convertible note provided for the conversion of any outstanding balance upon the end of the two year term. The convertible note was repaid in full and terminated during the year.

**(b) Other loans**

These are chattel mortgages secured over specific assets to be repaid within 2-5 years.

**(c) Interest rate exposure**

All the above secured borrowings are at fixed rates and therefore the Company is exposed to fair value interest-rate risk through changes in market interest rates.

**(d) Assets pledged as security**

Lease liabilities are effectively secured as the rights to the leased assets recognised in the Financial Statements revert to the lessor in the event of default. Other loans are secured by fixed charges over plant and equipment and motor vehicles.

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

<i>Fixed charges</i>		
Plant and equipment	1,304,313	1,263,221
Motor vehicles	45,420	54,976
	<u>1,349,733</u>	<u>1,318,197</u>
<i>Finance lease</i>		
Plant and equipment	49,168	-
Motor vehicles	24,762	48,144
	<u>73,929</u>	<u>48,144</u>
Total assets pledged as security	<u>1,423,662</u>	<u>1,366,341</u>

**(e) Other loans - interest-rate exposure**

All the above secured borrowings are at fixed rates and therefore the Company is exposed to fair value interest-rate risk through changes in market interest rates.

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**Note 15 : Contributed equity**

	2009 Shares	2008 Shares	2009 \$	2008 \$
<b>(a) Share Capital</b>				
Ordinary shares				
Fully paid	302,643,559	70,616,724	15,735,908	13,005,942
<b>(b) Movement in contributed equity:</b>				
<b>1 July (opening balance)</b>	<b>70,616,724</b>	44,570,458	<b>13,005,942</b>	10,654,202
<i>Issues of shares during the year</i>				
ORD shares issued to employees		70,000		16,800
Placement ORD shares issued, 13¢		6,584,419		855,974
1-1 Rights Issue ORD share issued, 8¢		19,391,847		1,551,348
Placement ORD shares issued, 6¢	2,999,999		180,000	
2-1 Rights Issue ORD share issued, 1¢	147,233,446		1,472,334	
Placement ORD shares issued, 1¢	1,107,500		11,075	
ORD shares issued to employees	4,275,000		-	
Placement ORD shares issued, 1.6¢	76,410,890		1,237,856	
Capital raising costs			(171,300)	(72,383)
<b>30 June (closing balance)</b>	<b>302,643,559</b>	70,616,724	<b>15,735,908</b>	13,005,942

At 30 June 2009 there were 302,643,559 ordinary shares on issue.

**Ordinary shares**

Ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

**Capital risk management**

The company's objectives when managing capital are to maintain an ability to trade as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital.

The company's strategy in 2009 was to raise such funds to permit it to continue as a going concern while it negotiated investment and trading opportunities.

**Note 16 : Reserves and accumulated losses**

	2009 \$	2008 \$
<b>(a) Share options reserve</b>		
Movements in share options reserve were as follows:		
Balance 1 July	285,077	150,934
Transfer to contributed equity (options exercised):		
Options cancelled (Draught Program)	-	(1,338)
Options expensed (KMP Remuneration)	52,952	135,481
Balance 30 June	338,029	285,077
The share options reserve is used to recognise the fair value of options issued but not exercised.		
<b>(b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
Balance 1 July	(10,064,492)	(6,435,624)
Net loss for the year	(2,037,548)	(3,628,868)
Balance 30 June	(12,102,040)	(10,064,492)

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**Note 17 : Reconciliation of profit after income tax to net cash outflow from operating activities**

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	2009	2008
	\$	\$
Loss for the year	(2,037,548)	(3,628,868)
Depreciation and amortisation	148,521	142,006
Share option expense	52,952	150,943
Loss on sale of assets	3,177	-
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	(88,846)	149,334
(Increase) decrease in other debtors	363,772	(310,947)
(Increase) decrease in inventories	(18,841)	(306,982)
Increase (decrease) in trade creditors	(51,436)	18,895
Increase (decrease) in other operating liabilities	80,958	96,645
Increase (decrease) in other provisions	28,888	33,096
Net cash outflow from operating activities	(1,518,404)	(3,655,867)

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**Note 18 : Earnings Per Share**

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	2009	2008
	\$	\$
Basic earnings per share ("EPS")	(0.01)	(0.07)
Diluted earnings per share	(0.01)	(0.07)
<b>(a) Basic earnings per share</b>		
Loss used in calculating basic EPS	(2,037,548)	(3,628,868)
Weighted average number of ordinary shares used in calculating basic EPS	157,939,100	56,116,469

The loss used in the calculation in basic earnings per share equates to the net loss in the income statement.

The weighted average number of ordinary shares used in calculating basic earnings per share does not include potential ordinary shares such as shares under option.

**(b) Diluted earnings per share**

The diluted loss per share is the same as the basic loss per share as the Company's potential ordinary shares are not likely to be diluted as currently issued options are out of the money at 30 June 2009.

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**Note 19 : Non-cash investing and financing activities**

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	2009	2008
	\$	\$
Acquisition of plant and equipment by means of hire purchase agreements	50,000	-

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
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**Note 20 : Share-based payments**

**(a) Options granted to Directors**

3,850,000 options in total were granted to Directors, Peter Nolin, Paul McKenzie, Bill Hoedemaker and John Hoedemaker on 4 December 2006 having regard to the length of service and the past and potential contribution to the Company. Shareholders approved the grant of these options at a general meeting held 30 November 2006.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of \$0.50 per share. The options vested and became exercisable over a period of two years from the grant date, with 50% vesting and exercisable after one year and the other 50% vesting and exercisable after two years. The options were further subject to a number of conditions predominately being the achievement of share price hurdles and continuity of service during the vesting periods. The options carried no dividend or voting rights.

**Directors' Options**

2009	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
Peter Nolin	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	1,100,000	-	-
Paul McKenzie	04-Dec-06	04-Dec-11	\$0.50	550,000	-	-	550,000	-	-
Bill Hoedemaker	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	1,100,000	-	-
John Hoedemaker	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	1,100,000	-	-
Total				3,850,000	-	-	3,850,000	-	-

\* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds nil options at 30 June 2009 (FY08: 2,200,000). 2,200,000 options were forfeited & cancelled during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

**Directors' Options**

2008	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
Peter Nolin	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	-	1,100,000	-
Paul McKenzie	04-Dec-06	04-Dec-11	\$0.50	550,000	-	-	-	550,000	275,000
Bill Hoedemaker	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	-	1,100,000	550,000
John Hoedemaker	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	-	1,100,000	550,000
Total				3,850,000	-	-	-	3,850,000	1,375,000

\* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust held 2,200,000 options at 30 June 2008. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

The fair value of options granted during the 2007 year at grant date of \$403,865 was calculated independently using a Binomial pricing model that took into account the term of the options, the exercise price, the underlying value of the shares, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.50,
- market price of option at grant date, \$0.40, consistent with listing price of shares as disclosed in the prospectus,
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 5.68%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

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

**Gage Roads Brewing Co Ltd**  
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**Note 20 : Share-based payments (continued)**

During the year ended 30 June 2009 all options granted to directors either lapsed or were voluntarily forfeited and were cancelled. On 4 December 2008, 1,100,000 of the options held by Bill Hoedemaker and John Hoedemaker vested and became exercisable. 550,000 options held by Peter Nolin and 275,000 held by Paul McKenzie did not vest and did not become exercisable. On the 4 December 2008 1,100,000 options held by Peter Nolin and 275,000 options held by Paul McKenzie automatically lapsed and were cancelled. On 16 December 2008, 2,200,000 of the options held by Bill Hoedemaker and John Hoedemaker and 275,000 options held by Paul McKenzie were voluntarily forfeited and were cancelled.

During the year ended 30 June 2008 no options were exercised, forfeited or lapsed. On 4 December 2007, 1,375,000 of the options vested and became exercisable. 550,000 options held by Peter Nolin did not vest, did not become exercisable and automatically lapsed on 4 December 2008.

The value of the options has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed and were credited during the year amounted to (\$3,402) (2008: (\$53,281)). The net proportion of the value of the options which was expensed to remuneration and accounted for in the share option reserve was \$30,330 for the financial year ended 30 June 2009 (2008: \$79,702).

**(b) Options to participating venues (Draught Option Program) Cancelled**

The Draught Option Program was cancelled and all agreements to issue options were terminated during the year ended 30 June 2008.

There were nil options on issue, granted, exercised, forfeited or lapsed during the year ended 30 June 2009.

During the year ended 30 June 2009 the value which had been previously expensed and was credited amounted to nil (2008: \$3,760). The net proportion of the value of the options which was credited to the income statement and reversed in the share option reserve was nil (2008: (\$1,338)).

**(c) Incentive Option Scheme**

The Company has in place an Option Incentive Scheme approved by Directors on 31 October 2006 with the purpose of encouraging participation by eligible employees in the Company through share ownership and to attract, motivate, and retain eligible employees. The Incentive Option Scheme is designed to provide long-term incentives for employees, including Directors, to deliver long-term shareholder returns. Under the plan, participants may be granted options which vest if certain performance or continued service standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

**Employee Incentive Scheme Options**

2009	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Nick Hayler	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.20	750,000	-	-	-	750,000	750,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.30	750,000	-	-	-	750,000	-
Nick Hayler	19-Dec-07	19-Dec-12	\$0.40	750,000	-	-	-	750,000	-
Aaron Heary	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Donald Pleasance	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
<b>Total</b>				3,000,000	-	-	-	3,000,000	1,500,000

**Employee Incentive Scheme Options**

2008	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Nick Hayler	12-Jul-07	12-Jul-12	\$0.40	-	250,000	-	-	250,000	250,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.20	-	750,000	-	-	750,000	-
Nick Hayler	19-Dec-07	19-Dec-12	\$0.30	-	750,000	-	-	750,000	-
Nick Hayler	19-Dec-07	19-Dec-12	\$0.40	-	750,000	-	-	750,000	-
Aaron Heary	12-Jul-07	12-Jul-12	\$0.40	-	250,000	-	-	250,000	250,000
Donald Pleasance	12-Jul-07	12-Jul-12	\$0.40	-	250,000	-	-	250,000	250,000
<b>Total</b>				-	3,000,000	-	-	3,000,000	750,000



**Gage Roads Brewing Co Ltd**  
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**Note 20 : Share-based payments (continued)**

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***(i) Incentive Option Scheme options issued to employees - 12 July 2007***

750,000 options over unissued ordinary shares were granted on 12 July 2007 to three employees of the Company in accordance with the Company's Incentive Option Scheme as part of their remuneration and having regard for their past and potential contribution to the Company.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of \$0.40 per share. The options are only capable of being exercised if the holder is in the current employment of the Company (with an additional 30 day grace period). The options vest at grant date and have a term of 5 years.

The fair value at grant date of \$39,450 was calculated internally using the Black Scholes pricing model that took into account the term of the options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.40,
- market price of option at grant date, \$0.215,
- expected volatility of the Company's shares is 55%,
- risk-free interest rate used is 6.40%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

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

No options were granted exercised, forfeited or lapsed during the year ended 30 June 2009.

As the options vested immediately on the grant date the total value of the options of \$39,450 was expensed to remuneration and accounted for in the share option reserve in the financial year ended 30 June 2008.

***(ii) Incentive Option Scheme options issued to Key Management Personnel - 19 December 2007***

2,250,000 options in total were granted to the CEO Nick Hayler on 19 December 2007 in accordance with the Company's Incentive Option Scheme as part of his remuneration having regard to the length of service and his past and potential contribution to the Company.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of between \$0.20 and \$0.40 per share. The options were issued in three tranches, the first tranche vesting in one year from the grant date with an exercise price of \$0.20, the second tranche vesting in two years with an exercise price of \$0.30, the third tranche vesting in three years with an exercise price of \$0.40. The vesting of the options is subject to the option holder being an employee or Director of the Company during the vesting periods.

The fair value at grant date of \$49,950 was calculated internally using the Black Scholes pricing model that took into account the term of the options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price of \$0.20 - \$0.40,
- market price of option at grant date, \$0.12,
- expected volatility of the Company's shares is 40%,
- risk-free interest rate used is 6.52%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

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

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Notes to the Financial Statements  
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**Note 20 : Share-based payments (continued)**

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No options were granted exercised, forfeited or lapsed during the year ended 30 June 2009.

During the year 750,000 options vested and become exercisable.

The value of the options has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the options which was expensed to remuneration and accounted for in the share option reserve was \$22,622 for the financial year ended 30 June 2009 (2008: \$16,329)

**(d) Employee Share Plan**

On 22 January 2009 4,275,000 shares were issued to employees of the Company in accordance with the Company's Employee Share Plan. (2008: 70,000 issued on 26 July 2007).

All eligible employees of the Company (other than Directors) received shares in recognition of their extraordinary contribution to date. The shares were issued on 22 January 2009 for nil consideration in accordance with a resolution of the Board.

<u>Date shares issued</u>	<u>Number shares issued</u>
26-Jul-07	70,000
22-Jan-09	4,275,000
26-Jul-07	4,345,000

Nil value was expensed to remuneration and accounted for in contributed equity in the financial year ended 30 June 2009 (2008: \$16,800).

	2009	2008
	\$	\$
<b>(e) Expenses arising from Share-based payments</b>		
Options issued to Directors (a)	30,330	79,702
Draught Option Program (b)	-	(1,338)
Incentive Option Scheme (c)	22,622	55,779
Shares issued to employees (d)	-	16,800
	52,952	150,943

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**Note 21 : Related party transactions**

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**(a) Key Management Personnel**

Key Management Personnel as defined by AASB 124 Related Party Transactions are listed as follows:

- (i) Executive Officers
  - Nick Hayler    Chief Executive Officer
- (ii) Executive Directors
  - John Hoedemaker    Chief Financial Officer, Company Secretary
  - Bill Hoedemaker    Director of Operations, Brewmaster
- (iii) Non-Executive Directors
  - Ian Olson    Chairman
  - Brett Fraser    (resigned 25 September 2008)
  - Robert Gould    (appointed 30 June 2009)
  - Steven Greentree

Directors have been in office from the start of the financial year to the date of this report unless otherwise stated. No other employee had authority or responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, during the financial year.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

**Note 21 : Related party transactions (continued)**

<b>(b) Key Management Personnel compensation</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Short-term employment benefits		
- CEO & Executive Directors	<b>510,394</b>	549,282
- Non-Executive Directors	<b>112,568</b>	119,309
Post-employment benefits	<b>70,725</b>	110,000
Share-based payments (note 20)	<b>52,952</b>	109,181
	<b>746,639</b>	<b>887,771</b>

**(c) Transactions and loans with related parties**

There have been no transactions or loans with Key Management Personnel and their related parties during the current or prior year.

**(d) Equity instrument disclosures relating to Key Management Personnel**

*(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Note 20.

*(ii) Option holdings*

The number of options over ordinary shares in the Company held during the financial year by Key Management Personnel of Gage Roads Brewing Ltd, including their personally related parties, are as follows:

	<b>Balance at start of the year</b>	<b>Cancelled - Forfeited</b>	<b>Exercised</b>	<b>Balance at end of the year</b>
<b>2009</b>				
<b>Directors</b>				
Ian Olson	-	-	-	-
Brett Fraser	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker (as beneficiary)*	1,100,000	(1,100,000)	-	-
John Hoedemaker (as beneficiary)*	1,100,000	(1,100,000)	-	-
Paul McKenzie	550,000	(550,000)	-	-
Peter Nolin	1,100,000	(1,100,000)	-	-
Michael Perrott	-	-	-	-
<b>Executive Key Management</b>				
Nick Hayler (CEO)	2,500,000	-	-	2,500,000
	<b>6,350,000</b>	<b>(3,850,000)</b>	<b>-</b>	<b>2,500,000</b>

\* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds nil options at 30 June 2009 (FY08: 2,200,000). 2,200,000 options were forfeited & cancelled during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

750,000 of the options were vested and exercisable at the year-end.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

**Note 21 : Related party transactions (continued)**

	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
<b>2008</b>				
<b>Directors</b>				
Ian Olson	-	-	-	-
Brett Fraser	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker (as beneficiary)*	1,100,000	-	-	1,100,000
John Hoedemaker (as beneficiary)*	1,100,000	-	-	1,100,000
Paul McKenzie	550,000	-	-	550,000
Peter Nolin	1,100,000	-	-	1,100,000
Michael Perrott	-	-	-	-
<b>Executive Key Management</b>				
Nick Hayler (CEO)	-	2,500,000	-	2,500,000
	3,850,000	2,500,000	-	6,350,000

\* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust held 2,200,000 options at 30 June 2008. There were nil movements during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

*(iii) Shareholdings*

The number of shares in the Company held during the financial year by each Director of Gage Roads Brewing Ltd, including their personally related entities, are set out below. There were no shares granted during the reporting period as compensation, nor shares received due to the exercise of options.

	Nomin- ally Held <sup>+</sup>	Balance at start of the year	Net Purchase of shares	Employee Share Plan Shares Received	Balance at end of the year
<b>2009</b>					
<b>Directors</b>					
Ian Olson	100%	828,902	1,641,685	-	2,470,587
Brett Fraser	63%	1,034,667	112,000	-	1,146,667
Robert Gould	0%	5,974,352	12,306,634	-	18,280,986
Steven Greentree	0%	-	-	-	-
Bill Hoedemaker*	98%	3,158,920	2,510,000	-	5,668,920
John Hoedemaker*	98%	3,158,921	2,510,000	-	5,668,921
<b>Executive Key Management</b>					
Nick Hayler (CEO)	1%	32,500	3,529,657	-	3,562,157
		14,188,262	22,609,976	-	36,798,238

\* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds 10,528,503 ordinary shares at 30 June 2009 (FY08: 5,528,503). 5,000,000 shares were purchased during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

+ Percentage of 2009 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2009.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

**Note 21 : Related party transactions (continued)**

	Nomin- ally Held <sup>+</sup>	Balance at start of the year	Net Purchase of shares	Employee Share Plan Shares Received <sup>^</sup>	Balance at end of the year
<b>2008</b>					
<b>Directors</b>					
Ian Olson	100%	123,750	705,152	-	828,902
Brett Fraser	70%	742,167	292,500	-	1,034,667
Robert Gould	0%	571,458	5,402,894	-	5,974,352
Bill Hoedemaker - restated*	12%	3,033,920	125,000	-	3,158,920
John Hoedemaker- restated*	12%	3,033,921	125,000	-	3,158,921
Paul McKenzie	0%	1,100,001	-	-	1,100,001
Peter Nolin	10%	2,774,468	-	-	2,774,468
Michael Perrott	0%	513,334	-	-	513,334
<b>Executive Key Management</b>					
Nick Hayler (CEO) - restated**	31%	-	27,500	5,000	32,500
		11,893,019	6,678,046	5,000	18,576,065

\* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds 5,528,503 ordinary shares at 30 June 2008 (FY07: 5,528,503). There was nil movements during the year. Bill Hoedemaker's and John Hoedemaker's holdings as restated above includes their potential indirect entitlement as beneficiaries of the trusts.

\*\* Nick Hayler's FY08 holdings have been restated to include his spouse's purchase of 22,500 shares during the year.

<sup>^</sup> Please see note 20 "Employee Share Plan"

<sup>+</sup> Percentage of 2008 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2008.

**Note 22 : Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2009 \$	2008 \$
<b>(a) Assurance services</b>		
BDO Kendalls Audit & Assurance (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	26,040	28,512
Total remuneration for assurance services	26,040	28,512
<b>(b) Non-audit services</b>		
BDO Kendalls Audit & Assurance (WA) Pty Ltd		
Services in relation to the underwriting agreements	1,342	
Total remuneration for non-assurance services	1,342	-

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

**Note 23 : Commitments**

	2009	2008
	\$	\$
<b>(a) Lease commitments - Company as lessee</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	223,280	105,541
Later than one year but not later than five years	862,307	-
	<u>1,085,586</u>	<u>105,541</u>
Representing:		
Operating leases as per (i) below	1,081,918	105,541
Future finance charges on finance leases as per (ii) over page	3,668	707
	<u>1,085,586</u>	<u>106,248</u>

*(i) Operating leases*

The Company leases its premises under an operating lease expiring 1 May 2014. The lease has annual CPI and 5 yearly market review escalation clauses and an option of renewal. The commitments below relate to the primary lease agreement period. The Company has the option to extend the lease for a further period of 5 years.

The Company leases a wrap packaging machine under an operating lease expiring 29 September 2013. The Company has the option to extend the lease for a further indefinite period at a peppercorn payment.

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

Within one year	220,000	105,541
Later than one year but not later than five years	861,918	-
	<u>1,081,918</u>	<u>105,541</u>

*(ii) Finance leases*

The Company has financed various motor vehicles with a carrying amount of \$55,439 (2008 - \$48,144) under hire purchase agreements expiring within 2 to 4 years. Under the terms of the agreements the Company has the option to acquire the hire purchase assets at pre-determined balloon amounts on the expiry of the agreements.

The company has financed a carton packaging machine under a financial lease expiring 1 September 2010.

Commitments in relation to finance leases are payable as follows:

Within one year	38,586	44,571
Later than one year but not later than five years	14,495	-
Minimum lease payments	53,081	44,571
Future finance charges	(3,668)	(707)
Total lease liabilities	<u>49,413</u>	<u>43,864</u>

Representing lease liabilities:

Current (note 12)	35,307	43,864
Non-current (note 14)	14,106	-
	<u>49,413</u>	<u>43,864</u>

The weighted average interest rate implicit in the leases is 8.3% (2008 - 7.5%).

**(b) Future Remuneration Commitments**

The Company has two fixed term service agreements which expired on 23 December 2008.

Commitments in relation to the fixed term service agreements are payable as follows:

Within one year	-	125,113
Total future commitments	<u>-</u>	<u>125,113</u>

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2009**

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**Note 24 : Events occurring after the balance sheet date**

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No other matter or circumstance has arisen since 30 June 2009 which has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial year.

**Note 25 : Segment reporting**

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The Company operates in one business segment, being the manufacture and sale of beer, and in one geographical segment, being Australia.

**Note 26 : Contingencies**

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The Company had no contingent assets or liabilities as at 30 June 2009 or 2008.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAGE ROADS BREWING CO LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Gage Roads Brewing Co Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.



### **Auditor's Opinion**

In our opinion:

- (a) the financial report of Gage Roads Brewing Co Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion, we draw attention to the financial report which indicates that Gage Roads Brewing Co. Limited incurred a net loss of \$2,037,548 during the year ended 30 June 2009. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty as to the company's ability to continue as a going concern and therefore whether it will realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.


### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion, the Remuneration Report of Gage Roads Brewing Co Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

### **BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls  


**Glyn O'Brien**  
Director

Signed at Perth, Western Australia  
Dated this 29<sup>th</sup> day of September 2009.

**Gage Roads Brewing Co Ltd**  
**Additional ASX Information**  
**As at 23 September 2009**

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in the annual report is as follows. This information is as at 23 September 2009.

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

<b>Shareholder</b>	<b>Fully Paid Ordinary Shares</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Woolworths Ltd	76,410,890	25.25%
Top Nominees Pty Ltd	47,574,890	15.72%

**Top 20 Shareholders**

**(a) Fully Paid Ordinary Shares**

<b>Shareholder</b>	<b>Fully Paid Ordinary Shares</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Woolworths Ltd	76,410,890	25.25%
Top Nominees Pty Ltd	47,574,890	15.72%
Derong Qiu	25,940,706	8.57%
Shimin Song	25,940,706	8.57%
Surplus Pty Ltd	18,280,986	6.04%
Pieter Hoedemaker	10,528,503	3.48%
Aaron Heary	3,072,000	1.02%
Annapurna Pty Ltd	3,000,000	0.99%
Ruralaus Investments Ltd	2,525,000	0.83%
Jane Linda Nolin	2,503,279	0.83%
Josef El-Raghy	2,374,157	0.78%
Jove Pty Ltd	2,310,000	0.76%
Ian Peter Olson	2,470,587	0.82%
Rokadarj Pty Ltd	1,568,038	0.52%
Perpetual Custodians Ltd	1,500,000	0.50%
Bond Street Custodians Ltd	1,455,000	0.48%
Maxwell Industries Ptd Ltd	1,296,571	0.43%
Stuart Charles Sands Hicks	1,096,855	0.36%
Raign Pty Ltd	1,031,250	0.34%
Paul Randell Camerer	1,026,667	0.34%

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

<b>Option Holder</b>	<b>Unlisted Options</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Nick Hayler	2,500,000	83.33%
Aaron Heary	250,000	8.33%
Donald Pleasance	250,000	8.33%
<b>Total Options</b>	<b>3,000,000</b>	<b>100.00%</b>

**Gage Roads Brewing Co Ltd**  
**Additional ASX Information**  
**As at 23 September 2009**

**Additional ASX Information (continued)**

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

Range	Total Holders	Units	Percentage
1-1,000	9	1,811	0.00%
1,001-5,000	67	291,294	0.10%
5,001-10,000	219	1,921,478	0.63%
10,001-100,000	651	26,150,415	8.64%
100,001-9,999,999	171	274,278,561	90.63%
<b>Total</b>	<b>1,117</b>	<b>302,643,559</b>	<b>100.00%</b>

As at 23 September 2009 there were 7576 Shareholders with less than marketable parcels.

**Voting rights**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote. Options have no voting rights.

**Shares and Options subject to escrow**

As at 23 September 2009 there are 3,000,000 ordinary shares held in escrow until 22 January 2010.