

Appendix 4E Preliminary Final Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the financial year ended 30 June 2018

Results for announcement to the market

	Up	22%	to	\$
Revenue from continuing activities	Up	22%	to	33,223,525
Profit from ordinary activities after tax attributable to members ¹	Up	3%	to	2,063,711
Net profit attributable to members ¹	Up	3%	to	2,063,711

¹ The Company generated a net profit 2.06 million for FY18, a prima facie improvement of 3% over FY17 (\$2.01 million). It should be noted that the FY17 result contained \$0.7 million in other income (after tax), comprised of a one-off a \$0.6 million compensation payment and a non-recurring \$0.1 million ATO excise refund. Against adjusted FY17 net profits after tax of \$1.34m, the current year delivered an uplift of 54%.

Dividends (distributions)

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

Net tangible assets per share	30 June 2018	30 June 2017
	\$	\$
	0.04	0.03

Statement of accumulated losses	30 June 2018	30 June 2017
	\$	\$
Balance 1 July	(8,515,249)	(10,529,361)
Net profit for the year	2,063,711	2,014,112
Balance 30 June	<u>(6,451,538)</u>	<u>(8,515,249)</u>

Details of controlled entities

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

Details of associates and joint venture entities

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

Reporting Periods

The current reporting period is the financial year ended 30 June 2018. The previous corresponding period is the year ended 30 June 2017.

Financial statements

The Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and associated notes are contained in the attached Annual Report for the year ended 30 June 2018.

Commentary on the results for the year ended 30 June 2018

Review of Operations

Full Year FY18 Results

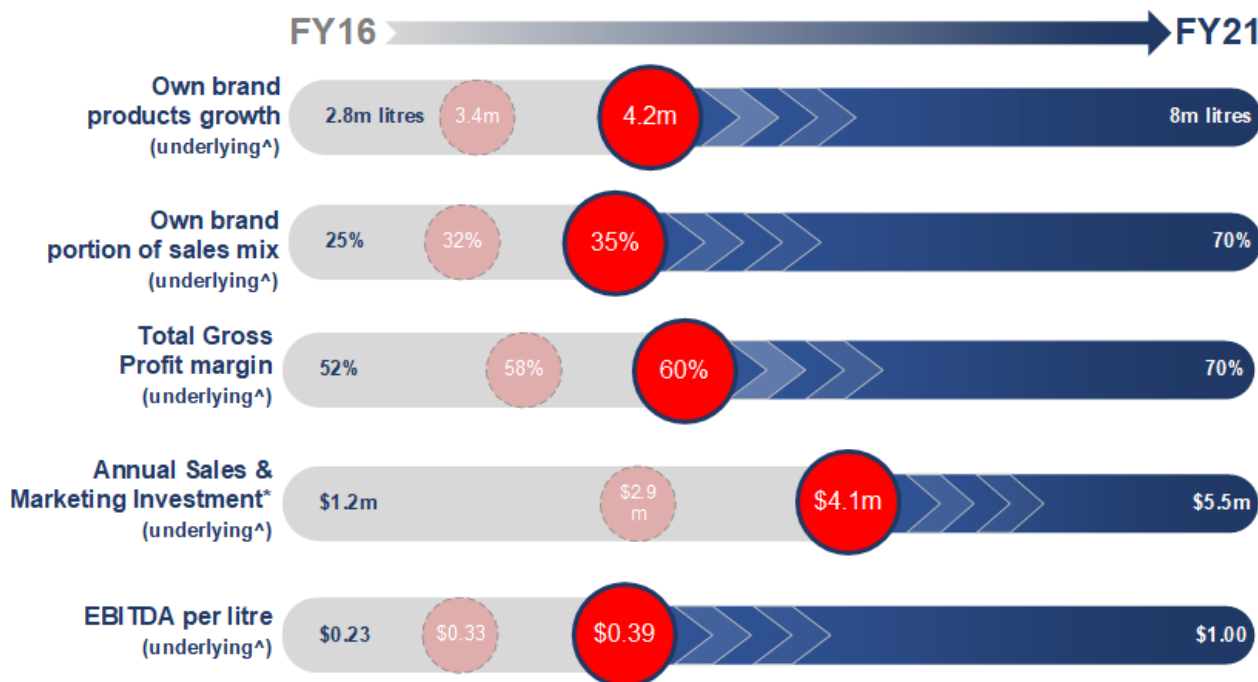
- Total volume up 20% to 12.8m litres[^]
- EBITDA \$4.5 million, up 28% over adjusted FY17 EBITDA (\$3.5 million)⁺
- Gross profit margin up to 62% (FY17: 58%)
- Sales of Gage Roads' brands grow to 39% of overall sales mix (up from 32% FY17)
- Sales to independent retailers up 181%[^]
- Gage Roads draught sales up 218%[^]
- Total Gage Roads brands volume up 47%[^] to 5 million litres

[^] in comparison to FY17

⁺ excluding FY17 non-recurring income of \$1m, further discussed below

It is with pleasure that we report to shareholders on a successful year 2 of our 5-year Proprietary Brand Strategy. The team at Gage Roads has delivered a strong set of results including broad-based improvement in distribution and sales of our proprietary brands and meaningful improvement in gross profit margins which provided strong incremental growth in net earnings.

5-YEAR PROPRIETARY BRAND STRATEGY



[^]Excludes litres sold as part of marketing events and Optus Stadium

* Includes sales & marketing salaries and distribution costs

At its core, this strategy seeks to increase the awareness of Gage Roads' proprietary brands and expand those brands into broader markets, driving incremental sales from the previously untapped independent retail and on-premise channels to market. Greater consumer awareness and access to these channels is expected to continue to increase volumes of the Gage Roads proprietary brands, delivering improved margins and sustained earnings growth.

The continued focus on high quality craft products and growing our higher margin proprietary beer portfolio as a proportion of our sales profile is targeted to deliver \$1 per litre EBITDA on underlying sales volumes of at least 11 million litres, including 8 million of proprietary brand sales. Underlying sales volumes exclude volumes sold to marketing events under our cost-neutral "brand-in-hand" marketing strategy.

FINANCIAL RESULTS

The combined Gage Roads brand sales and contract brewing volumes resulted in a total throughput of 12.8 million litres (underlying: 11.9 million litres), revenues of \$33.2 million (FY17: \$27.2 million) and generated an EBITDA of \$4.5 million for FY18, a prima facie improvement of 1% over FY17.

We note that the FY17 result contained \$1 million in other income, comprised of a one-off \$0.8 million compensation payment and a non-recurring \$0.2 million ATO excise refund. The \$4.5m EBITDA result for FY18 is up 28% in comparison to adjusted FY17 EBITDA of \$3.5 million.

Current year Net Profit After Tax (NPAT) of \$2.06 million represents an uplift of 54% against an adjusted FY17 NPAT of \$1.34 million.

Our expanded energetic and talented sales and marketing team helped deliver a 28% uplift in sales of Gage Roads proprietary products, delivering a shift in sales mix improving underlying gross profit margins to 60% (FY17: 58%). These results validate our 5-year strategy of targeting increasing profitability via a shift in our sales mix towards proprietary brands and other higher margin products.

The FY18 cost structure is aligned with the 5-year strategy and controllable costs have been well managed. "Raw materials, consumables & delivery" and "Operating expenses" (up \$2 million over FY17) have increased in line with increased volumes. Increases in "Employee benefits expenses" and "Sales and marketing expenses" (up \$3.2 million) are predominantly attributable to the increased sales and marketing functions of the business.

In support of the growth in our brands, we have continued to increase investment in sales and marketing. Sales and marketing expenses of \$3.4 million (up \$1.9 million over FY17) include payments (\$1.8 million) in support of the various "brand-in-hand" marketing events during the year. These events generated an incremental \$1.7 million in gross contribution resulting in a net \$0.1 million impact to earnings.

EBITDA of \$4.5 million represents underlying earnings generated from normal operations of 39 cents per litre, up 6 cents per litre from the FY17 result (33 cents per litre), on target with the Company's 5-year strategic plan.

Operating cash generated during the year of \$5.1 million closely matched EBITDA and enabled the Company to end the year with a strong cash reserves of \$16.9 million.

The Company remains in a debt free position and debt facilities (to an approved limit of \$6 million) remain in place and undrawn.

A \$10 million placement to institutional shareholders was also successfully completed during the fourth quarter. This will readily allow for the settlement of the \$13.25 million cash component of the Matso's acquisition in Q1 FY19. The proceeds from a \$2 million shareholder share purchase plan were receipted post year-end and will be recorded in Q1 FY19. Both the institutional placement and the shareholder share purchase were well supported and significantly oversubscribed.

With additional headroom in our credit facility the business is in a strong financial position, providing an excellent platform from which to continue to execute the remaining 3 years of the 5-Year Proprietary Brand Strategy.

SALES

We are extremely pleased with the momentum of Gage Roads' brands 2 years into the 5-year Proprietary Brand Strategy. Strong growth across all channels resulted in a 47% increase of total Gage Roads brands sales to 5.0 million litres. Underlying sales, which exclude 0.8 million litres of draught sales to Optus Stadium and other marketing events under our "brand-in-hand" strategy, represent 4.2 million litres, up 28% in comparison to FY17 (3.4 million Litres).

Gage Roads' own brand portion of the total sales mix has grown from 32% in FY17 to 39% in FY18 (underlying: 35%). This shift in sales mix towards Gage Roads' own brands has improved total gross profit from 58% in FY17 to 62% in FY18 (underlying gross profit: 60%). This shift in sales mix and improvement in margin are key performance indicators of the Proprietary Brand Strategy and are well on track to deliver our expectations for FY19 and FY20.

Sales of our *Single Fin Summer Ale* have grown 123% over the prior year to become the Company's highest selling individual brand and has proven to be a high performer with the Company's new channels to market.

The no fuss Western Australian *ALBY* range, launched at Optus Stadium is resonating well with consumers and has been extremely successful with the first year positioning the *ALBY* range at over 18% of the Gage Road's portfolio.

Validating our Proprietary Brand Strategy, sales to national independent retailers were up 181% over FY17. We continued to expand our national sales, marketing and distribution capabilities in key states Western Australia, Queensland, Victoria and New South Wales, providing growth in distribution outlets and sales in these markets.

FY18 sales of Gage Roads brands to the national chains were in line with those achieved in FY17. We are pleased to see that the sales growth in new independent channels to market has not come at the expense of our existing channels, but rather, the increased consumer awareness has supported Gage Roads' brands in all markets.

FY18 sales of our contract-brewing division, Australian Quality Beverages (AQB), were in line with those delivered in FY17. Consistent with our strategy, contract brewing volumes are expected to be unwound over time, in an orderly fashion and converted to higher margin proprietary brand sales.

We expect to meet our FY19 sales ambitions of at least 11 million litres and are on track to deliver growth in earnings and margins through the shift in sales mix towards higher-margin proprietary brands as the management team delivers on year 3 of our 5-year strategy.

MARKETING

We continue to invest in the marketing function and have a coordinated plan to open up opportunities for consumers to trial our products and engage with the Gage Roads brand values and ethos through events, hotels, pubs and retail outlets nationally.

During the year the marketing team has been restructured, expanded and strengthened, underpinning our increased marketing efforts at a time where consumer momentum continues to grow behind our brands.

In April, Miles Hull was appointed as Gage Roads' National Marketing Executive. Miles has significant experience on the west and east coast with leading craft brands as head of their creative development and marketing teams. Miles has successfully delivered strong brands in the beer market which have set new industry benchmarks. We look forward to Miles providing Gage Roads with strong leadership in marketing and cultural development.

We continue to see success with our cost-neutral "brand-in-hand" marketing strategy, achieving increased sales through greater brand awareness. Sales to Optus Stadium, Fringe World, Rugby 7s and other events are on track to deliver earnings that fully offset the costs of the strategy. These partnerships are an effective way to activate the Company's products in the market.

The "brand-in-hand" marketing strategy is designed to promote trial and consumer awareness by utilising latent capacity to generate additional sales volumes at stadiums and events which aim to offset the costs of the strategy.

In September 2017, Gage Roads was thrilled to be appointed as the exclusive supplier of beer and cider to Optus Stadium, the recently developed 60,000-seat world-class sport and entertainment stadium in Western Australia. The supply agreement represents a significant expansion of the Company's current sales and marketing investment and an unprecedented brand and product exposure opportunity, reinforcing our "brand-in-hand" strategy.

The first six months of sales volumes at Optus Stadium have been a resounding success with strong positive customer feedback supporting the Gage Roads range of beers available. Sale volumes have outperformed expectations and stadium sales revenues are on-target to offset the costs of the supply contract on an annual basis. Importantly the increased consumer exposure at Optus Stadium has already delivered increases in Gage Roads' brand awareness, accelerated sales growth through our existing channels to market and incremental earnings to the broader business.

Complementing our existing partnerships with Optus Stadium and Rugby Australia, we were pleased to extend our partnership as exclusive beer and cider provider to Perth Fringe World for a further three years until 2021. Recently, we were also excited to become official beer partner of the Western Force and the exclusive beer and cider supplier to NIB stadium.

On the East Coast, Gage Road's proprietary brands were supported with partnerships with the HSBC Sydney Rugby 7s and Cricket Victoria. The Rugby 7's partnership saw Gage Roads' *Single Fin Summer Ale* available at bars around Allianz Stadium and will again support our brands in Sydney February 2019. The three-year Cricket Victoria partnership will see Gage Roads' brands at Junction Oval and affiliated clubs throughout Victoria during this upcoming cricket season.

We are excited to see continued success in the beer award arena for our proprietary brands. Recently, we won gold medals at the Independent Beer Association Awards for *Breakwater Pale Ale* and *Sleeping Giant IPA*. We were also awarded gold medals at the Sydney Royal Beer and Cider Awards for our *Single Fin Summer Ale* and our limited release beers *Sea Devil Imperial Stout* and *Gage Roads IPA*. These limited release products support Gage Roads' craft beer quality credentials and increase consumer awareness of our core range.

In the first half the Company successfully launched a number of new core range products into the market. *ALBY Draught* (4.2%) and *ALBY Crisp* (3.5%), are classic lagers that have a parochial Western Australian connection with a strong focus on locally sourced ingredients. The Company has entered into this market to take advantage of its unique position as the only regional brewer capable of producing high quality, high volume lager beer in Western Australia. The Company also launched *Hello Sunshine* apple cider developed in collaboration with Fringe World. Part proceeds of the sale of every litre of *Hello Sunshine* will go to funding grassroots arts developments in WA. *Hello Sunshine* is positioned to participate in the growing national cider market.

With a talented and capable national sales team, marketing team and with independent distribution in place, Gage Roads is in a strong position to take advantage of the 20% per annum growth of the craft beer market and to deliver continued growth in awareness of our brands.

MATSO'S ACQUISITION

On 8 June 2018, the Company announced that it will acquire 100% of Matso's Broome Brewing Pty Ltd. Acquiring the Matso's brands is a natural accelerant of our 5-year Proprietary Brand Strategy and is expected to contribute strongly to earnings growth.

Matso's is an iconic West Australian flavoured beer brand best known for its popular Ginger and Mango beer varieties. Since 2007 almost all of the Matso's products have been produced at Gage Roads' Palmyra brewery with volumes growing to approximately two million litres per annum.

Consideration for the transaction includes a \$13.25 million cash component and three tranches amounting to a total of 35 million Gage Roads ordinary shares based on sales volume targets over the next three years.

The acquisition represents a major expansion of the Gage Roads brand portfolio with unique, high margin and complimentary brands. The additional Matso's brands at current volumes and strong profit margins provide Gage Roads the opportunity to leverage its existing national sales, marketing and distribution capability and deliver sustained earnings growth, highlighting the value we have created for Gage Roads through our expanded national sales and marketing team.

Our history and knowledge of the Matso's brands and existing production capability minimises integration and sales risks allowing the incremental margins to truly flow through to and complement existing earnings in full.

With Gage Roads' strength of people, sales, marketing and distribution expertise we anticipate outperforming current volumes and growing the Matso's brands to their full national potential.

The Company is in the process of finalising formal documentation and satisfying conditions precedent and expects to complete the transaction in Q1 FY19.

OUTLOOK FOR FY19

- Gage Roads brands growth and 5-year strategy on track to deliver margin growth and earnings targets for FY19 and beyond
- Continuing distribution and sales growth opportunities in the independent channel
- Grow national chain volumes in line with expectations and commitments
- Focus on east coast partnerships and events to complement growing east coast distributions
- Increasing national marketing visibility and consumer awareness
- Matso's brands provide a step-change to the 5-year strategy, bringing forward earnings targets

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

FY18 was a fantastic year for the business and the team and we're pleased to see that all the key targets we have set as part of the 5-year Proprietary Brand Strategy are being delivered. Awareness for our brands has grown significantly and we look to build on that even further. The Optus Stadium deal and the other parts of our "brand-in-hand" strategy are delivering great results and we are confident about the prospects for our brands.

We're also looking forward to adding Matso's to our portfolio and broadening our offering of high quality brands to our customers. We now have an exciting opportunity to position the Matso's brand for further growth through our national sales team and accelerate earnings growth for our shareholders.



John Hoedemaker
Managing Director

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

Further detailed commentary on the results for the year ended 30 June 2018 is provided in the Chairman's Letter, Review of Operations and Directors' Report sections of the attached Annual Report.

Compliance statement

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

The accounts have been audited.

The accounts have been subject to review.

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

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

5. The entity has a formally constituted audit committee.



Signed: Date: 31 August 2018
 Company Secretary

Name: Marcel Brandenburg



**GAGE ROADS BREWING CO LIMITED
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

ABN 22 103 014 320

**Gage Roads Brewing Co Limited
Annual Report
For the Year Ended 30 June 2018**

Corporate Directory

Directors

Graeme Wood
Ian Olson (Chairman)
John Hoedemaker
Robert Gould

Managing Director

John Hoedemaker

Company Secretary

Marcel Brandenburg

Principal Place of Business & Registered Office

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

Web: www.gageroads.com.au

Postal Address

PO Box 2024
PALMYRA WA 6961

Auditor

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

Legal Adviser

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

Stock Exchange Listing

ASX Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code: GRB

Share Registry

Automic Registry Services
PO Box 2226
STRAWBERRY HILLS NSW 2012

Registry Enquiries

Within Australia: 1300 288 664
Outside Australia: (+61 2) 9698 5414

**Gage Roads Brewing Co Limited
Financial Report
For the Year Ended 30 June 2018**

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Gage Roads Brewing Co Limited
Chairman's Letter
For the Year Ended 30 June 2018

Dear Shareholder,

On behalf of your Board, I am delighted to report on the continued successful execution of our growth strategy during FY18, which generated improvements in all key financial measures and delivered another record full year after tax profit of \$2.1 million.

Following the landmark Optus Stadium beer and cider contract award your management team successfully conceived and launched our new Alby range of mainstream lager. Alby has rapidly established a strong foothold in the Western Australian market, leveraging an incredibly valuable "brand-in-hand" weekly experience, with up to 60,000 Optus Stadium patrons able to explore a range of Gage Roads products.

The Optus Stadium supply rights contract has helped us leverage our brands into a variety of national venues and partnerships including the Rugby Seven's in NSW, Cricket Victoria and more recently NIB Stadium in Western Australia as well as sponsorship of the reborn Western Force rugby union team as part of the new World Series Rugby competition.

Our continued success in brewing award-winning craft beer across a range of categories has also helped our East Coast brand ambassadors grow our on premise and independent retail presence in the key markets of Queensland, New South Wales and Victoria.

More recently the planned acquisition of Matso's, which resulted in a successful \$12 million capital raising, represents a major expansion of the Gage Roads brand portfolio and provides a fantastic opportunity to leverage our existing national sales, marketing and distribution capability to grow earnings through a brand we have been associated with for more than 10 years.

The successful execution of these milestone events and the continued delivery during year 2 of our 5-year Proprietary Brand Strategy has only been possible due to the dedication of the talented team at Gage Roads. We have invested further during the year in expanding both the capacity and quality of our sales, marketing and operational teams who deserve all the credit for a most successful year.

Your company enters FY19 with a strong balance sheet and positive outlook for continued growth in both sales and earnings. On behalf of your Board, I thank shareholders for your continued support and look forward to reporting on further improvements in the performance of our great business.



Ian Olson

Chairman

**Gage Roads Brewing Co Limited
Review of Operations
For the Year Ended 30 June 2018**

Review of Operations

Full Year FY18 Results

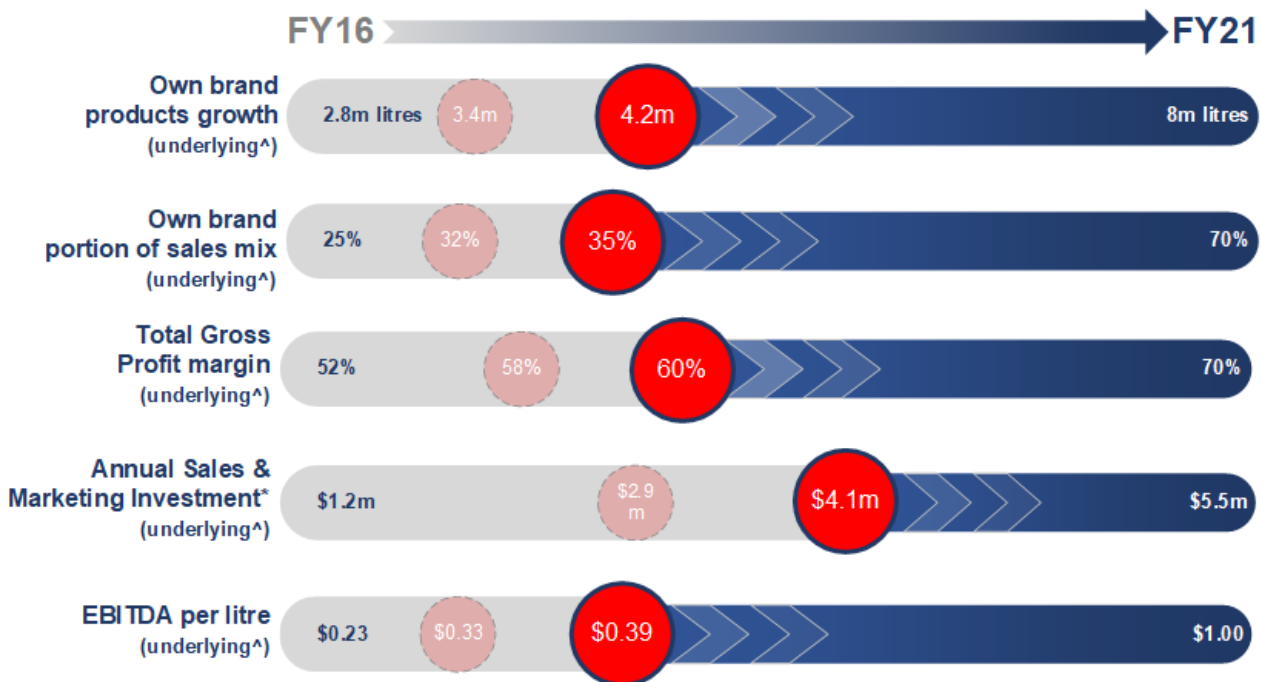
- Total volume up 20% to 12.8m litres[^]
- EBITDA \$4.5 million, up 28% over adjusted FY17 EBITDA (\$3.5 million)⁺
- Gross profit margin up to 62% (FY17: 58%)
- Sales of Gage Roads' brands grow to 39% of overall sales mix (up from 32% FY17)
- Sales to independent retailers up 181%[^]
- Gage Roads draught sales up 218%[^]
- Total Gage Roads brands volume up 47%[^] to 5 million litres

[^] in comparison to FY17

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5-YEAR PROPRIETARY BRAND STRATEGY



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* Includes sales & marketing salaries and distribution costs

At its core, this strategy seeks to increase the awareness of Gage Roads' proprietary brands and expand those brands into broader markets, driving incremental sales from the previously untapped independent retail and on-premise channels to market. Greater consumer awareness and access to these channels is expected to continue to increase volumes of the Gage Roads proprietary brands, delivering improved margins and sustained earnings growth.

The continued focus on high quality craft products and growing our higher margin proprietary beer portfolio as a proportion of our sales profile is targeted to deliver \$1 per litre EBITDA on underlying sales volumes of at least 11 million litres, including 8 million of proprietary brand sales. Underlying sales volumes exclude volumes sold to marketing events under our cost-neutral "brand-in-hand" marketing strategy.

**Gage Roads Brewing Co Limited
Review of Operations
For the Year Ended 30 June 2018**

FINANCIAL RESULTS

The combined Gage Roads brand sales and contract brewing volumes resulted in a total throughput of 12.8 million litres (underlying: 11.9 million litres), revenues of \$33.2 million (FY17: \$27.2 million) and generated an EBITDA of \$4.5 million for FY18, a prima facie improvement of 1% over FY17.

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A \$10 million placement to institutional shareholders was also successfully completed during the fourth quarter. This will readily allow for the settlement of the \$13.25 million cash component of the Matso's acquisition in Q1 FY19. The proceeds from a \$2 million shareholder share purchase plan were received post year-end and will be recorded in Q1 FY19. Both the institutional placement and the shareholder share purchase were well supported and significantly oversubscribed.

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Gage Roads' own brand portion of the total sales mix has grown from 32% in FY17 to 39% in FY18 (underlying: 35%). This shift in sales mix towards Gage Roads' own brands has improved total gross profit

Gage Roads Brewing Co Limited
Review of Operations
For the Year Ended 30 June 2018

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MARKETING

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Gage Roads Brewing Co Limited
Review of Operations
For the Year Ended 30 June 2018

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We are excited to see continued success in the beer award arena for our proprietary brands. Recently, we won gold medals at the Independent Beer Association Awards for *Breakwater Pale Ale* and *Sleeping Giant IPA*. We were also awarded gold medals at the Sydney Royal Beer and Cider Awards for our *Single Fin Summer Ale* and our limited release beers *Sea Devil Imperial Stout* and *Gage Roads IIPA*. These limited release products support Gage Roads' craft beer quality credentials and increase consumer awareness of our core range.

In the first half the Company successfully launched a number of new core range products into the market. *ALBY Draught* (4.2%) and *ALBY Crisp* (3.5%), are classic lagers that have a parochial Western Australian connection with a strong focus on locally sourced ingredients. The Company has entered into this market to take advantage of its unique position as the only regional brewer capable of producing high quality, high volume lager beer in Western Australia. The Company also launched *Hello Sunshine* apple cider developed in collaboration with Fringe World. Part proceeds of the sale of every litre of *Hello Sunshine* will go to funding grassroots arts developments in WA. *Hello Sunshine* is positioned to participate in the growing national cider market.

With a talented and capable national sales team, marketing team and with independent distribution in place, Gage Roads is in a strong position to take advantage of the 20% per annum growth of the craft beer market and to deliver continued growth in awareness of our brands.

MATSO'S ACQUISITION

On 8 June 2018, the Company announced that it will acquire 100% of Matso's Broome Brewing Pty Ltd. Acquiring the Matso's brands is a natural accelerant of our 5-year Proprietary Brand Strategy and is expected to contribute strongly to earnings growth.

Matso's is an iconic West Australian flavoured beer brand best known for its popular Ginger and Mango beer varieties. Since 2007 almost all of the Matso's products have been produced at Gage Roads' Palmyra brewery with volumes growing to approximately two million litres per annum.

Consideration for the transaction includes a \$13.25 million cash component and three tranches amounting to a total of 35 million Gage Roads ordinary shares based on sales volume targets over the next three years.

The acquisition represents a major expansion of the Gage Roads brand portfolio with unique, high margin and complimentary brands. The additional Matso's brands at current volumes and strong profit margins provide Gage Roads the opportunity to leverage its existing national sales, marketing and distribution capability and deliver sustained earnings growth, highlighting the value we have created for Gage Roads through our expanded national sales and marketing team.

Our history and knowledge of the Matso's brands and existing production capability minimises integration and sales risks allowing the incremental margins to truly flow through to and complement existing earnings in full.

Gage Roads Brewing Co Limited
Review of Operations
For the Year Ended 30 June 2018

With Gage Roads' strength of people, sales, marketing and distribution expertise we anticipate outperforming current volumes and growing the Matso's brands to their full national potential.

The Company is in the process of finalising formal documentation and satisfying conditions precedent and expects to complete the transaction in Q1 FY19.

OUTLOOK FOR FY19

- Gage Roads brands growth and 5-year strategy on track to deliver margin growth and earnings targets for FY19 and beyond
- Continuing distribution and sales growth opportunities in the independent channel
- Grow national chain volumes in line with expectations and commitments
- Focus on east coast partnerships and events to complement growing east coast distributions
- Increasing national marketing visibility and consumer awareness
- Matso's brands provide a step-change to the 5-year strategy, bringing forward earnings targets

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

FY18 was a fantastic year for the business and the team and we're pleased to see that all the key targets we have set as part of the 5-year Proprietary Brand Strategy are being delivered. Awareness for our brands has grown significantly and we look to build on that even further. The Optus Stadium deal and the other parts of our "brand-in-hand" strategy are delivering great results and we are confident about the prospects for our brands.

We're also looking forward to adding Matso's to our portfolio and broadening our offering of high quality brands to our customers. We now have an exciting opportunity to position the Matso's brand for further growth through our national sales team and accelerate earnings growth for our shareholders.



John Hoedemaker
Managing Director

**Gage Roads Brewing Co Limited
Directors' Report
For the Year Ended 30 June 2018**

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited (the Company) for the year ended 30 June 2018.

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.

Graeme Wood
Ian Olson (Chairman)
John Hoedemaker (Managing Director)
Robert Gould

Company Secretary

Marcel Brandenburg

Principal activities

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

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

Dividends

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

Review and results of operations

The profit of the Company for the financial year after providing for income tax amounted to \$2,063,711 (2017: \$2,014,112).

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

Significant changes in the state of affairs

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

- (a) **Revenue and Volume**— This year saw an improvement in Revenue for FY18 of \$33.2 million, an increase of 22% in comparison with the corresponding full year period (2017: \$27.2 million). The combined Gage Roads brand sales and contract brewing volumes resulted in a total throughput of 12.8 million litres and generated an EBITDA of \$4.5 million for FY18, a prima facie improvement of 1% over FY17. It should be noted that the FY17 result contained \$1 million in other income, comprised of a one-off \$0.8 million compensation payment and a non-recurring \$0.2 million ATO excise refund. Against adjusted FY17 earnings of \$3.5m, the current year delivered an uplift of 28%.

Matters subsequent to the end of the financial year

No subsequent events requiring disclosure have been noted.

Likely developments and expected results of operations

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

**Gage Roads Brewing Co Limited
Directors' Report
For the Year Ended 30 June 2018**

Information on Directors

Graeme Wood

(Non-Executive, appointed 5 April 2017)

Experience and expertise - Graeme Wood has significant experience as a senior executive with both Foster's Australia and Treasury Wine Estates. He spent 18 years at Foster's Australia – including as General Manager of Sales at Matilda Bay Brewing Company – where he developed a deep knowledge of the beer landscape in Australia. More recently, he spent four years at Treasury Wine Estates as Regional Manager responsible for WA, SA and NT, further enhancing his liquor retail experience.

Other current public directorships – None.

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

Special responsibilities - None.

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

Ian Olson CA, BCom, MAICD

(Non-Executive Chairman, appointed 12 November 2007)

Experience and expertise - An experienced Chartered Accountant, Ian Olson brings extensive knowledge in corporate advisory, audit and assurance to the Board. Mr Olson is a professional public company director with a 25-year career in finance and the capital markets. Ian is also the Managing Director of Pointerra Limited and former executive chairman of WKC Spatial. Prior to his involvement in WKC Spatial, Ian was Managing Partner of PKF Chartered Accountants in Western Australia.

Other current public directorships – Pointerra Ltd.

Former directorships in listed companies within last 3 years – Diploma Group Limited, Threat Protect Ltd.

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

Interests (direct and indirect) in shares and options – 12,858,225 shares and nil options in the Company.

John Hoedemaker BCom

(Managing Director, appointed 17 August 2011)

Experience and expertise - John is a founding Shareholder and Director of Gage Roads. He has played a key role in achieving profitability by developing and implementing the growth and cost reduction strategies for the business. John has an acute understanding of both the Company's operational needs and financial requirements. John is responsible for the strategic planning, leadership and management of the operations of the Company. Prior to his involvement with Gage Roads, John was a Shareholder, General Manager and Chief Financial Officer of a successful building products manufacturing business, Architectural & Structural Adhesives (WA), which he managed from a start-up operation through to a trade sale to a multi-national conglomerate.

Other current public directorships - None.

Former public directorships within last 3 years - None.

Special responsibilities - Member of the Audit Committee.

Interest (direct and indirect) in shares and options – 57,053,994 shares and nil options in the Company.

Gage Roads Brewing Co Limited
Directors' Report
For the Year Ended 30 June 2018

Robert Gould FAICD

(Non-Executive, appointed 12 November 2007)

Experience and expertise - Robert Gould has held a number of roles in finance and the management and guidance of start-up, early stage and fast growing companies. His experience includes international mergers and acquisition activity and previous management of a venture capital fund with \$113 million under management. Robert was a seed capital investor in Gage Roads in 2013.

Other current public directorships - None.

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

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

Interests (direct and indirect) in shares and options – 16,259,725 shares and nil options in the Company.

Information on Company Secretary

Marcel Brandenburg CA, FGIA, FCIS, MAcc, BCom

(Company Secretary and Chief Financial Officer)

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

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

Other current public directorships - None.

Former public directorships within last 3 years - None.

Special responsibilities – *Chief Financial Officer.*

Interest (direct and indirect) in shares and options – 10,829,860 shares and nil options in the Company.

**Gage Roads Brewing Co Limited
Directors' Report
For the Year Ended 30 June 2018**

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 2018, 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
Graeme Wood (Non-Executive)	8	8	n/a	n/a	1	1
Ian Olson (Non-Executive)	8	8	2	2	1	1
Robert Gould (Non-Executive)	8	8	2	2	1	1
John Hoedemaker (Executive)	8	8	2	2	n/a	n/a

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

B = number of meetings attended.

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

Total shares under options

There were no unissued ordinary shares under option at the date of this report (2017: Nil).

Shares issued on the exercise of options

There were no shares issued on the exercise of options during the year ended 30 June 2018 (2017: Nil).

Options granted to Directors

No options over unissued ordinary shares were granted to Directors during the year ended 30 June 2018 (2017: Nil).

Options granted to Key Management Executives and other employees

No options over unissued ordinary shares were granted to Key Management Executives or other employees during the year ended 30 June 2018 (2017: Nil).

Options cancelled, forfeited or lapsed

No options were voluntarily forfeited or cancelled during the year ended 30 June 2018 (2017: Nil).

Shares issued to Directors

No shares were issued to directors during the year ended 30 June 2018 (2017: 55,168,760).

Shares issued to Employees

10,928,160 shares were issued to employees during the year ended 30 June 2018 (2017: 73,001,055).

**Gage Roads Brewing Co Limited
Remuneration Report
For the Year Ended 30 June 2018**

Audited Remuneration Report

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-Executive Directors - The Remuneration Committee is responsible for recommending individual Non-Executive Directors' fees within the limit approved by Shareholders. The current aggregate Directors' fee limit is \$400,000. Directors are entitled to have premiums paid for Directors' & Officers' insurance.

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

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

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

The objective of the Company's remuneration policy for Directors and other Key Management Personnel is to ensure reward for performance is adequate and appropriate for the results delivered, taking into account competitiveness, reasonableness, acceptability to Shareholders and transparency. Equity instruments issued may be for services rendered by eligible employees and Directors to date and, going forward, for services rendered by existing and any new eligible employees and Directors who are appointed in the future. The Company feels that incentive shares are effective consideration to eligible employees and Directors for their ongoing commitment and contribution to the Company.

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

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

**Gage Roads Brewing Co Limited
Remuneration Report
For the Year Ended 30 June 2018**

Details of remuneration

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

Executive Directors

John Hoedemaker Managing Director

Non-Executive Directors

Graeme Wood
Ian Olson Chairman
Robert Gould

Executive Officers

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

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

2018 Remuneration - Key Management Personnel

Name	Short term benefits			Post employment benefits	Share based benefits	Total
	Cash salary & fees	Performance bonus	Non-monetary Benefits	Super-annuation	Shares	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Graeme Wood	75,000	-	1,838	7,125	-	83,963
Ian Olson	120,000	-	1,838	-	12,223	134,061
Robert C Gould	68,493	-	1,838	6,507	12,223	89,060
<i>Sub-total Non-Exec Directors</i>	<i>263,493</i>	<i>-</i>	<i>5,514</i>	<i>13,632</i>	<i>24,445</i>	<i>307,084</i>
<i>Executive Key Management</i>						
Aaron Heary	290,000	-	1,752	27,550	30,556	349,859
John Hoedemaker (MD)	390,000	-	14,975	37,050	30,556	472,581
Marcel Brandenburg	180,004	20,000	1,572	19,000	15,420	235,997
<i>Sub-total Executive</i>	<i>860,004</i>	<i>20,000</i>	<i>18,299</i>	<i>83,600</i>	<i>76,533</i>	<i>1,058,437</i>
Totals	1,123,497	20,000	23,813	97,232	100,978	1,365,521

**Gage Roads Brewing Co Limited
Remuneration Report
For the Year Ended 30 June 2018**

2017 Remuneration - Key Management Personnel

Name	Short term benefits			Post employment benefits	Share based benefits	Total
	Cash salary & fees	Performance bonus	Non-monetary Benefits	Super-annuation	Shares	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Chris Baddock	-	-	385	-	-	385
Graeme Wood	17,693	-	294	1,681	-	19,667
Ian Olson	120,000	-	1,264	-	12,223	133,487
Robert Gould	68,493	-	1,264	6,507	12,223	88,487
<i>Sub-total Non-Exec Directors</i>	<i>206,186</i>	<i>-</i>	<i>3,208</i>	<i>8,188</i>	<i>24,445</i>	<i>242,027</i>
<i>Executive Key Management</i>						
Aaron Heary	290,000	-	3,306	27,550	30,556	351,413
John Hoedemaker (MD)	390,000	-	13,200	37,050	30,556	470,806
Marcel Brandenburg	160,000	20,000	2,621	17,100	28,205	227,926
<i>Sub-total Executive</i>	<i>840,000</i>	<i>20,000</i>	<i>19,127</i>	<i>81,700</i>	<i>89,318</i>	<i>1,050,145</i>
Totals	1,046,186	20,000	22,335	89,888	113,763	1,292,172

Service agreements

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

Aaron Heary – Chief Operating Officer & Chief Strategy Officer

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

John Hoedemaker – Managing Director

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

Marcel Brandenburg – Chief Financial Officer and Company Secretary

- Term of agreement: No fixed term
- Base salary: \$180,000 pa, plus 9.5% statutory superannuation contribution, reviewed annually by the Remuneration Committee
- Bonus: \$20,000 per annum, payable in equal quarterly instalments of \$5,000 subject to satisfactory conformance to key performance indicators
- Termination notice period: 8 month notice (without cause)
- Termination notice period: 4 month notice (with cause)

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

**Gage Roads Brewing Co Limited
Remuneration Report
For the Year Ended 30 June 2018**

Equity instruments held by Key Management Personnel

Shares issued to key management personnel

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

There were no options over unissued ordinary shares granted to Key Management Personnel in existence at the date of this report (2017: Nil).

(i) *Ordinary shares in the Company*

	Nominally Held	Balance at start of the year	Net Purchase (Disposal) of shares	Employee Share Plan Shares Received	Balance at end of the year
2018					
Directors					
Ian Olson	5%	12,858,225	-	-	12,858,225
John Hoedemaker	0%	57,053,994	-	-	57,053,994
Robert Gould	75%	16,259,725	-	-	16,259,725
Executive Key Management					
Marcel Brandenburg	100%	10,829,860	-	-	10,829,860
Aaron Heary	0%	37,673,797	588,235	-	38,262,032
		134,675,601	588,235	-	135,263,836

There were no shares issued to Key management personnel during the year 30 June 2018 (2017: 91,947,930).

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 (2017: Nil).

Loan instruments to Key Management Personnel

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

	30-Jun-18	Balance at the start of the year	Loans provided during the year	Loans paid back by the Employee	Interest paid and payable for the year	Interest not charged	Balance at the end of the year
Directors							
Ian Olson		612,986	-	-	-	-	612,986
Robert Gould		612,986	-	-	-	-	612,986
John Hoedemaker		1,904,466	-	-	-	-	1,904,466
Executive Key Management							
Aaron Heary		1,726,872	-	-	-	-	1,726,872
Marcel Brandenburg		577,093	-	-	-	-	577,093
Total		5,434,403	-	-	-	-	5,434,403

Use of remuneration consultants

The Company did not engage in remuneration consultants during the financial year ended 30 June 2018.

Voting and comments made at the Company's 2017 Annual General Meeting

Gage Roads Brewing Co Ltd received more than 96.1% of "Yes" votes on its remuneration report for the 2017 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

**Gage Roads Brewing Co Limited
Directors' Report
For the Year Ended 30 June 2018**

Loans to Directors and Executives

The Company has not made any non-recourse loans to Directors or Executives during the financial year to 30 June 2018. It has carried forward non-recourse loans from prior years as disclosed in Note 17 (b).

Environmental regulation

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

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2017 to 30 June 2018 the Directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

Insurance of officers

During the financial year the Company paid a premium of \$7,352 to insure the Directors and Officers of the Company.

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

Proceedings on behalf of the Company

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

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

Auditor

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Non-Audit services

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

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

Assurance services

BDO Audit (WA) Pty Ltd: Audit and review of financial reports and other audit work under the *Corporations Act 2001* \$56,363 (2017: \$52,942).

Non-audit services

BDO Corporate Finance (WA) Pty Ltd: Services in relation to Independent Experts report \$8,160 (2017: \$34,782).

**Gage Roads Brewing Co Limited
Directors' Report
For the Year Ended 30 June 2018**

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

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

A handwritten signature in black ink, appearing to be 'Ian Olson', written in a cursive style.

Ian Olson
Chairman

Palmyra

Dated this 31st day of August 2018

**Gage Roads Brewing Co Limited
Corporate Governance Statement
For the Year Ended 30 June 2018**

Corporate Governance Statement

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

The Company's Corporate Governance Statement for the financial year ending 30 June 2018 was approved by the Board on 30 August 2018. The Corporate Governance Statement can be located on the Company's website: www.gageroads.com.au/investor-info

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

As lead auditor of Gage Roads Brewing Co. Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2018

Gage Roads Brewing Co Limited
Directors' Declaration
30 June 2018

The Directors of the Company declare that:

- (a) the financial statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements, and;
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date.
- (b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the Company has included in the notes to the financial statements an explicit and unreserved Statement of Compliance with International Financial Reporting Standards.
- (d) the Directors have been given the declarations by the Managing Director and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Chairman

Palmyra

Dated this 31st day of August 2018

Gage Roads Brewing Co Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from continuing operations			
Sales revenue		33,223,525	27,164,531
Interest revenue		3,464	6,696
	3	33,226,990	27,171,227
Other income	3	287,540	1,289,552
Foreign Exchange Gain/ (Loss)		(6,349)	40,457
Raw materials, consumables & delivery		(13,083,924)	(11,614,353)
Operating expenses	4	(3,560,975)	(3,024,547)
Employee benefit expenses		(7,697,811)	(6,459,651)
Depreciation and amortisation expenses	4	(1,238,204)	(1,130,917)
Sales and marketing expenses		(3,446,233)	(1,509,897)
Administration expenses		(458,765)	(672,457)
Occupancy expenses	4	(774,577)	(796,444)
Finance costs	4	(96,126)	(279,106)
Profit before income tax		3,151,565	3,013,864
Income tax expense	5	(1,087,854)	(999,752)
Net Profit attributable to the members of Gage Roads Brewing Co Ltd		2,063,711	2,014,112
<i>Other Comprehensive Income</i>			
Items that may be reclassified to profit or loss:			
Cashflow Hedges		256,958	(341,378)
<i>Total Other Comprehensive Income for the year</i>		2,320,669	1,672,734
Profit per share attributable to the members of Gage Roads Brewing Co Ltd			
Basic Profit per share (cents)	15	0.24	0.27
Diluted Profit per share (cents)		0.23	0.27

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

Gage Roads Brewing Co Limited
Statement of Financial Position
As at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	16,889,229	6,986,173
Trade and other receivables	7	4,441,134	3,753,411
Inventories	8	2,613,602	1,450,594
Total current assets		23,943,965	12,190,178
Non-current assets			
Property, plant and equipment	9	22,740,990	21,694,863
Deferred tax assets	5	786,489	1,874,343
Intangible assets		118,813	25,730
Total non-current assets		23,646,292	23,594,936
Total assets		47,590,257	35,785,114
LIABILITIES			
Current liabilities			
Trade and other payables	10	8,904,740	6,925,721
Provisions	10	277,573	-
Borrowings		-	44,859
Total current liabilities		9,182,313	6,970,580
Non-current liabilities			
Provisions	11	83,756	311,600
Borrowings	11	-	2,000,000
Total non-current liabilities		83,756	2,311,600
Total liabilities		9,266,069	9,282,180
Net assets		38,324,188	26,502,934
EQUITY			
Contributed equity	12	43,042,933	33,742,064
Hedge reserve	13	(84,420)	(261,632)
Share options reserve	13	1,817,213	1,537,750
Accumulated losses	13	(6,451,538)	(8,515,248)
Total equity		38,324,188	26,502,934

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

Gage Roads Brewing Co Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Notes	Contributed equity \$	Accumulated losses \$	Share based payment reserve \$	Hedge Reserve \$	Total equity \$
At 1 July 2016		26,012,998	(10,529,360)	1,254,297	-	16,737,934
Comprehensive Income						
Profit for the year		-	2,014,112	-	-	2,014,112
Other Comprehensive income		-	-	-	(341,378)	(341,378)
Total comprehensive income for the year		-	2,014,112	-	(341,378)	1,672,734
Transactions with equity holders in their capacity as equity holders:						
Issue of share capital, net of transaction costs		7,729,067	-	-	-	7,729,067
Employee and other share options expensed	13	-	-	283,452	-	283,452
At 30 June 2017		33,742,064	(8,515,248)	1,537,750	(341,378)	26,423,188
Comprehensive Income						
Profit for the year		-	2,063,711	-	-	2,063,711
Other Comprehensive income		-	-	-	256,958	256,958
Total comprehensive income for the year		-	2,063,711	-	256,958	2,320,669
Transactions with equity holders in their capacity as equity holders:						
Issue of share capital, net of transaction costs		9,300,869	-	-	-	9,300,869
Employee and other share options expensed	13	-	-	279,463	-	279,463
Balance at 30 June 2018		43,042,933	(6,451,538)	1,817,213	(84,420)	38,324,188

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

Gage Roads Brewing Co Limited
Statement of Cash Flows
For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		53,612,900	43,084,765
Payments to suppliers and employees (inclusive of GST)		<u>(48,518,565)</u>	<u>(38,934,344)</u>
		5,094,335	4,150,422
Interest received		3,464	6,696
Interest paid		<u>(96,126)</u>	<u>(279,106)</u>
Net cash inflow from operating activities	14	<u>5,001,673</u>	<u>3,878,012</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(2,141,772)</u>	(415,678)
Payments for intangible assets		<u>(114,997)</u>	(26,451)
Proceeds from Sale of Equipment		16	2,893
Net cash (outflow) from investing activities		<u>(2,256,754)</u>	<u>(439,236)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		10,031,000	10,124,146
Share issue transaction costs		<u>(730,131)</u>	(832,325)
Share buy-back		-	(1,562,755)
Proceeds from borrowings		6,096	5,169,767
Repayment of borrowings		<u>(2,050,955)</u>	<u>(12,810,228)</u>
Net cash inflow from financing activities		<u>7,256,010</u>	<u>88,605</u>
Net increase in cash and cash equivalents		10,000,929	3,527,381
Effect of movement in exchange rates on cash held		<u>(97,874)</u>	(100,443)
Cash and cash equivalents at the beginning of the financial year		6,986,173	3,559,236
Cash and cash equivalents at the end of the financial year	6	<u>16,889,229</u>	<u>6,986,173</u>

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical Accounting Estimates and Significant Judgements

The preparation of Financial Statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Deferred Tax Assets

Judgement is required to determine the amount of deferred tax assets that are recognised based on the likely timing and level of future taxable profits. The Company has concluded that the deferred assets will be recoverable using estimated future taxable income based on approved business plans and budgets for the Company. The losses can be carried forward indefinitely and have no expiry date. For further details refer to note 5.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. For details of share based payments made during the year, see Note 16.

Impairment of non-financial assets

The Company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Going concern

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

(b) Segment reporting

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(c) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(d) Income tax

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

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

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

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

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

(f) Impairment of assets

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(g) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency of payments, are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the profit or loss.

The Company has early adopted AASB 9 Financial Instruments (AASB 9) with effect from 1 July 2016. AASB 9 introduces a new impairment model for financial assets at amortised cost (including trade receivables). From 1 July 2016, the Company assesses expected credit losses on a forward looking basis. For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials for work-in-progress and finished goods. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Financial assets

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

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

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

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(k) Fair value estimation

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

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

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation is calculated using both the straight line and reducing balance methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Financial Performance.

(m) Intangible assets

Trademarks

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

Product Development

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

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

(n) Trade and other payables

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(o) Borrowings

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

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

(p) Borrowing costs

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

(q) Employee benefits

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

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

(ii) Long service leave

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

(iii) Share-based payments

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

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

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

(r) Contributed equity

Ordinary shares are classified as equity.

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(s) Goods and services tax

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

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

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

(t) Foreign currency

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

(u) Earnings per share

Basic earnings per share

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

(v) Excise Tax

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

(w) Provisions

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(x) New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2017:

(i) AASB 2014-1 Amendments to Australian Accounting Standards (Including Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles and Part B: Defined Benefit Plans: Employee Contributions - Amendments to AASB 119)

The following Australian Accounting Standards were early adopted by the Company from 1 July 2016:

(i) AASB 9 Financial Instruments

The Company has early adopted AASB 9 Financial Instruments (AASB 9), issued in December 2009, including consequential amendments to other standards, with effect from 1 July 2016. The standard has been retrospectively applied with no impact on the comparative financial information of the company.

In accordance with AASB 9, movements in the fair value of derivative financial instruments which exist as part of a hedging relationship have been deferred in other comprehensive income rather than being accounted for in profit or loss. From 1 July 2016, the Company assess losses on a forward looking basis. For trade receivables, the Company applies the simplified approach permitted by AASB9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2018. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

(i) AASB 15 Revenue from Contracts with Customers

The AASB has issued this new standard for the recognition of revenue. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. In accordance with new standard revenue from contracts with customers is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under the current standard. It also provides further guidance on the measurement of sales on contracts which have discounts, rebates and consignment inventories. During the year the company carried out a detailed review of the current recognition criteria for revenue including payments made to customers against the requirements of AASB 15 and is in the process of finalising this assessment.

(ii) AASB 16 Leases

The AASB has issued this new standard which eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. The impact of this adoption is currently in the process of being assessed by the Company however, the impact has not yet been quantified. The Company will adopt this standard from 1 July 2019.

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

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(y) New standards and interpretations not yet mandatory or early adopted (continued)

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 3 'Amendments to Australian Accounting Standards – Business Combinations'	1 January 2019	30 June 2019
AASB 112 'Amendments to Australian Accounting Standards - Income Taxes'	1 January 2019	30 June 2019
AASB 123 'Amendments to Australian Accounting Standards - Borrowing Costs'	1 January 2019	30 June 2019

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 2 : Financial Risk Management

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

Risk management is carried out by the management team under policies approved by the Board of Directors. Details of policies for each risk are detailed below.

Fair Value Measurement

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

	2018 \$	2018 \$	2017 \$	2017 \$
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash and cash equivalents	16,889,229	16,889,229	6,986,173	6,986,173
Trade and other receivables	4,441,134	4,441,134	3,753,411	3,753,411
	21,330,364	21,330,364	10,739,584	10,739,584
Financial liabilities at amortised cost				
Trade and other payables	9,182,313	9,182,313	6,925,721	6,925,721
Provisions	83,756	83,756	2,311,600	2,311,600
	9,266,069	9,266,069	9,237,322	9,237,322

(a) Market risk

(i) *Foreign exchange risk*

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

(ii) *Price risk*

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

(iii) *Cash flow interest rate risk*

Refer to (d) over page.

(b) Credit risk

Credit risk arises in relation to cash and cash equivalents and deposits with financial institutions (Credit Rating: AA-). Cash transactions are limited to high credit quality financial institutions.

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities or Shareholder support. The Company has a committed credit facility of \$6 million with the Commonwealth Bank of Australia which is undrawn at year-end. Furthermore, the Company has a \$1m revolving credit facility with Commonwealth Bank of Australia which is undrawn at 30 June 2018. The Company has relied on equity raising and prudent management to manage this risk.

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 2 : Financial Risk Management (continued)

2018	< 1 year	1 - 2 years	2 - 5 years	Total	
				Cash flows	Carrying Value
Trade payables	5,986,878	-	-	5,986,878	5,986,878
Other payables	3,195,435	83,756	-	3,279,191	3,279,191
Commitments	649,290	327,335	679,625	1,656,250	-
Total Payable	9,831,603	411,091	679,625	10,922,319	9,266,069

2017	< 1 year	1 - 2 years	2 - 5 years	Total	
				Cash flows	Carrying Value
Trade payables	4,164,751	-	-	4,164,751	4,164,751
Other payables	3,115,164	-	-	3,115,164	3,115,164
Commitments	643,441	341,289	2,662,920	3,647,650	2,000,000
Total Payable	7,923,356	341,289	2,662,920	10,927,565	9,279,915

(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 2018, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$41,219 higher/lower (2017: \$26,878 higher/lower) from interest income on cash and cash equivalents, based upon the average cash on hand balance of \$4,121,884 (2017: \$2,687,869).

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

As at 30 June 2018, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$78 higher/lower (2017: \$39,031) from interest expense on borrowings, based upon the average loan balance of \$93,151 (2017: \$3,903,141).

Note 3 : Revenue

	2018	2017
	\$	\$
<i>Revenue</i>		
Sale of goods	47,942,075	39,206,958
Less: Excise tax collected	(13,769,821)	(10,642,864)
Less: Wine Equalisation Tax Collected	(948,729)	(1,399,563)
Interest	3,464	6,696
	33,226,990	27,171,227
<i>Other income</i>		
Compensation Revenue ¹	-	815,519
ATO Micro-Brewery Excise Refund	30,000	150,000
Warehousing Services	135,092	117,701
Insurance Income	-	752
Other	122,448	205,580
	287,540	1,289,552

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 4 : Expenses

	2018	2017
	\$	\$
Profit (loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	1,148,655	1,050,824
Office equipment	62,527	55,597
Motor vehicles	5,108	11,080
Amortisation of intangible assets	21,914	12,910
Total Depreciation	<u>1,238,204</u>	<u>1,130,411</u>
<i>Bad Debt Expense</i>		
Bad debts written off	4,451	2,264
Bad Debts Expensed	<u>4,451</u>	<u>2,264</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	96,126	279,106
Finance costs expensed	<u>96,126</u>	<u>279,106</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	774,577	796,444
Total rental expense relating to operating leases	<u>774,577</u>	<u>796,444</u>
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	577,743	471,222
Total defined contribution superannuation expense	<u>577,743</u>	<u>471,222</u>
<i>Share-based payments expense (Note 16 b)</i>		
Non-recourse loan-funded shares	279,463	283,453
Total share-based payments expense	<u>279,463</u>	<u>283,453</u>

Note 5 : Income tax expense

	2018	2017
	\$	\$
(a) Income tax expense		
Current tax	-	-
Deferred tax - origination of temporary differences	1,087,854	999,752
	<u>1,087,854</u>	<u>999,752</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/ (loss) before income tax expense	3,151,565	3,013,865
Tax at the Australian tax rate of 30% (2017 - 30%)	945,469	904,159
Tax effect of amounts which are not deductible (taxable) in		
Share-based payments	83,839	85,036
Fines and entertaining	58,546	10,557
	<u>1,087,854</u>	<u>999,752</u>
Income tax expense	<u>1,087,854</u>	<u>999,752</u>
(c) Unrecognised tax losses		
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	-	-

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 5 : Income tax expense (continued)

Deferred tax assets and liabilities were 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.

	2018	2017
	\$	\$
(c) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	2,621,630	6,247,812
Deferred tax asset @ 30%	786,489	1,874,343
Movement in Deferred tax asset		
Recognition of deferred tax asset - prior year losses	-	-
- current year profit	1,087,854	999,752
	1,087,854	999,752

Deferred tax assets and liabilities have been brought to account after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the future that taxable profits will be available against which the benefit of the deductible temporary differences can be claimed. The Company believes that due to the growth of Gage Roads' proprietary brands and contract brew brands it is probable that sufficient future taxable profits will be available against which unused tax losses can be utilised.

Note 6 : Current assets - Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and in hand	16,889,229	6,986,173
	16,889,229	6,986,173

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

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

(b) Cash at bank and on hand

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

Refer Note 2 for assessment of company risk management policy

Note 7 : Current assets - Trade and other receivables

	2018	2017
	\$	\$
Trade receivables	2,774,491	3,369,934
Prepayments	1,666,644	383,477
	4,441,134	3,753,411

(a) Impaired trade receivables

Impaired trade receivables that are known to be uncollectable during the year ended 30 June 2018 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 2018. Bad trade receivables which have been expensed during 2018 to bad debts expense are amounts past due which were uncollectable from debtors who did not settle their obligations. Please see Note 4 Bad Debt Expense for receivables written off during the year.

(b) Interest rate risk

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 7 : Current assets - Trade and other receivables (continued)

(c) Past due but not impaired

As of 30 June 2018, trade receivables of \$297,227 (2017 - \$248,997) were past due but not impaired. These relate to a number of unrelated customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018	2017
	\$	\$
Up to 3 months	164,131	219,299
3 to 6 months	133,097	29,699
	297,227	248,998

(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.

Note 8 : Current assets - Inventories

	2018	2017
	\$	\$
Raw material and stores - at cost	1,359,293	941,101
Work-in-progress - at cost	109,968	51,282
Finished goods - at cost	783,435	187,983
Repairs & Maintenance Spares	360,906	270,228
	2,613,602	1,450,594

Inventory expense

Inventories recognised as an expense (cost of goods sold) during the year ended 30 June 2018 amounted to \$13,229,225 (2017: \$11,970,200). Inventories written off during the year as new product development costs, obsolete stock and operational waste amounted to \$110,142 (2017: \$92,986).

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

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

	Plant and equipment	Office equipment	Motor vehicles	Total
Year ended 30 June 2017				
Opening net book amount	22,541,807	75,330	49,540	22,666,677
Additions	357,301	63,884	-	421,185
Depreciation charge	(1,050,824)	(55,597)	(11,080)	(1,117,501)
Impairment Charge on obsolete equipment	-	-	-	-
Disposals	(263,502)	(2,969)	(9,027)	(275,498)
Closing net book amount	21,584,782	80,648	29,433	21,694,863
At 30 June 2017				
Cost or fair value	28,403,196	419,718	239,787	29,062,701
Accumulated depreciation	(6,818,414)	(339,070)	(210,354)	(7,367,838)
Net book amount	21,584,782	80,648	29,433	21,694,863
Year ended 30 June 2018				
Opening net book amount	21,584,782	80,648	29,433	21,694,863
Additions	2,151,462	112,341	-	2,263,803
Depreciation charge	(1,148,655)	(62,527)	(5,108)	(1,216,290)
Impairment Charge on obsolete equipment	-	-	-	-
Disposals	-	(1,385)	-	(1,385)
Closing net book amount	22,587,589	129,077	24,325	22,740,990
At 30 June 2018				
Cost or fair value	30,554,658	530,674	239,787	31,325,119
Accumulated depreciation	(7,967,069)	(401,597)	(215,462)	(8,584,128)
Net book amount	22,587,589	129,077	24,325	22,740,990

(a) Assets in the course of construction

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

	2018	2017
	\$	\$
Plant and equipment	818,896	27,176

(b) Non-current assets pledged as security.

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 10 : Current liabilities - Trade, other payables

Trade and other payables

	2018	2017
	\$	\$
Trade payables	5,773,289	4,164,751
Payables for capital purchases	213,589	2,265
GST payable	397,196	1,384,880
Other payables (a)	2,520,666	1,373,825
Provision for long service leave	277,573	-
	9,182,313	6,925,721

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

Other payables include accruals for annual leave. The entire obligation is expressed as a current liability as the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave within the next 12 months. The estimated leave that is not expected to be taken in the next twelve months is \$100,000 (2017: \$80,000). This is considered to be immaterial.

(b) Risk exposure

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

Borrowings

	2018	2017
	\$	\$
Unsecured		
Motor Vehicle finance lease	-	-
Secured		
Insurance premium funding	-	44,859
Bank loans (a)	-	-
Total current borrowings	-	44,859

(a) Bank Loan

The Company has a committed credit facility of \$6 million with the Commonwealth Bank of Australia which is undrawn at the year end.

Note 11 : Non Current liabilities - Provisions & borrowings

	2018	2017
	\$	\$
Unsecured		
Provision for long service leave	83,756	311,600
Secured		
Bank loans (a)	-	2,000,000
Total non-current provisions and borrowings	83,756	2,311,600

(a) Bank Loan

The Company has a committed credit facility of \$6 million with the Commonwealth Bank of Australia which is undrawn at the year end.

(b) Risk exposure

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

(c) Fair value disclosures

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 11 : Non Current liabilities - Provisions & borrowings (continued)

(d) Assets pledged as security

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

	2018 \$	2017 \$
<i>Fixed & Floating charges</i>		
Plant and equipment	22,716,665	21,665,430
Motor vehicles	24,325	29,433
<i>Total Fixed & Floating charges</i>	<u>22,740,990</u>	<u>21,694,863</u>
Total assets pledged as security	<u>22,740,990</u>	<u>21,694,863</u>

Note 12 : Contributed equity

	2018 Shares	2017 Shares	2018 \$	2017 \$
(a) Share Capital				
Fully paid ordinary shares	<u>988,026,855</u>	859,451,637	<u>43,042,933</u>	33,742,064
	<u>988,026,855</u>	859,451,637	<u>43,042,933</u>	33,742,064
(b) Movement in contributed equity:				
1 July (opening balance)	859,451,637	426,332,293	33,742,064	26,012,998
<i>Issues of shares during the year</i>				
Ordinary shares issued (Employee shares)	10,928,160	128,169,815	-	-
Ordinary shares issued	117,647,058	404,965,834	10,031,000	10,124,146
Shares cancelled	-	(100,016,305)	-	(1,562,755)
Capital Raising Costs	-	-	(730,131)	(832,325)
30 June (closing balance)	<u>988,026,855</u>	859,451,637	<u>43,042,933</u>	33,742,064

At 30 June 2018 there were 988,026,855 ordinary shares on issue.

Ordinary shares

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

Capital risk management

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

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 13 : Reserves and accumulated losses

	2018	2017
	\$	\$
(a) Share based payment reserve		
Movements in share based payment reserve were as follows:		
Balance 1 July	1,537,750	1,254,297
Share based payment expense	279,463	283,452
Balance 30 June	1,817,213	1,537,750

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

	2018	2017
	\$	\$
(b) Hedge Reserve	(84,420)	(261,632)

Recognised in accordance with AASB9 - refer note 1

	2018	2017
(c) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(8,515,249)	(10,529,361)
Net profit for the year	2,063,711	2,014,112
Balance 30 June	(6,451,538)	(8,515,249)

Note 14 : Reconciliation of profit after income tax to net cash outflow from operating activities

	2018	2017
	\$	\$
Profit for the year	2,063,711	2,014,112
Depreciation, amortisation	1,238,204	1,130,917
Employee share issue expense	279,463	283,452
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	595,443	(567,609)
(Increase) decrease in other debtors	(1,283,166)	(199,508)
(Increase) decrease in inventories	(1,072,330)	571,785
Increase (decrease) in trade creditors	1,608,538	(1,469,514)
(Increase) decrease in deferred tax asset	1,087,854	999,752
Increase (decrease) in other operating liabilities	434,228	938,200
Increase (decrease) in other provisions	49,729	177,753
Net cash inflow from operating activities	5,001,673	3,879,340

Note 15 : Earnings Per Share

	2018	2017
Basic earnings per share ("EPS") (cents)	0.24	0.27
Diluted earnings per share (cents)	0.23	0.27
(a) Basic earnings (loss) per share	\$	\$
Profit used in calculating basic EPS	2,063,711	2,014,112
Weighted average number of ordinary shares used in calculating basic EPS	869,671,599	752,752,106

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 15 : Earnings Per Share (continued)

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

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

(b) Diluted earnings (loss) per share	\$	\$
Profit used in calculating diluted EPS	2,063,711	2,014,112
Weighted average number of ordinary shares used in calculating diluted EPS	884,671,599	752,752,106

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

The weighted average number of ordinary shares used in calculating diluted earnings per share does include potential ordinary shares such as shares under option.

Note 16 : Share-based payments

(a) Executive and Employee Share Plan

Shares issued pursuant to this Plan (Incentive Shares) are for services rendered by eligible employees and Directors to date and going forward, for services rendered by existing and any new eligible employees and Directors who are appointed in the future. The Company feels that incentive shares are effective consideration to eligible employees and Directors for their ongoing commitment and contribution to the Company. Where the Company offers to issue Incentive Shares to a Director, the Company may offer to provide the Director a limited recourse, interest free loan to be used for the purposes of subscribing for the Incentive Shares in the Company.

	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the year	Forfeited during the year	Balance at end of the year	Vested at the end of the year
Executives and Senior Management	2-Oct-15	2-Oct-22	0.063	12,000,000	-	-	12,000,000	8,000,000
Employees	2-Oct-15	2-Oct-22	0.063	19,000,000	-	-	19,000,000	12,666,667
Executives and Senior Management	30-Sep-16	29-Sep-23	0.050	110,337,510	-	-	110,337,510	-
Employees	30-Sep-16	29-Sep-23	0.050	17,832,305	-	-	17,832,305	-
Senior Management	30-Aug-17	29-Sep-23	0.050	-	2,451,940	-	2,451,940	-
Employees	30-Aug-17	29-Sep-23	0.050	-	2,053,065	-	2,053,065	-
Executives	23-Apr-18	23-Apr-25	0.072	-	6,129,860	-	6,129,860	-
Employees	23-Apr-18	23-Apr-25	0.072	-	293,295	-	293,295	-
Total				159,169,815	10,928,160	-	170,097,975	20,666,667

(i) Employee and Executive Share Plan shares issued to employees 30 September 2016

On 30 September 2016, 128,169,815 shares were issued to executives and employees of the Company at an issue price of 5 cents per share and corresponding non-recourse loans totalling \$6,408,491 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key loan terms:

- Loan amount: \$0.05 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 29 September 2023)
- Tenure condition for 60%: remains eligible employee for 36 months after date of issue
- Tenure condition for further 20%: remains eligible employee for 48 months
- Tenure condition for the remaining 20% : remains eligible employee for 60 months
- The Earnings Condition will be satisfied for each year tranche if at least 95% of the current internal board approved expected earnings before interest tax depreciation and amortisation (EBITDA) for that year is achieved.

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 16 : Share-based payments (continued)

- Share Value Condition: Provided the Tenure Condition has been satisfied but the Earnings Condition has not been satisfied with regards to a particular tranche, if at any time after that year and during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Take Over Provision: Where a takeover bid for the Company's issued shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued shares, all restriction conditions applying to any Shares will be immediately waived, or
- Compromise or Arrangement: Where a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company, all restriction conditions applying to any Shares will be immediately waived, or
- Death and Permanent Disability: Where an Eligible Employee dies or as a result of a total and permanent disability fails to meet any Tenure Condition with regards to a particular tranche, the loan will remain in place and at any time during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Good Leaver Exceptions: The approved Executive & Employee Share Plan provides the Board discretion to waive restriction conditions in certain circumstances.
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 30 September 2016

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

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

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

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

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

The value of the instruments has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument which was expensed to remuneration and accounted for in the share option reserve was \$137,948 for the year ended 30 June 2017.

(ii) Employee and Executive Share Plan shares issued to employees 30 August 2017

On 30 August 2017, 4,505,005 shares were issued to senior management and employees of the Company at an issue price of 5 cents per share and corresponding non-recourse loans totalling \$225,250 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key loan terms:

- Loan amount: \$0.05 per share
- Interest rate: 0%
- Term of loan: 6 years and 1 month (expiring 29 September 2023)
- Tenure condition for 60%: remains eligible employee for 36 months after date of issue
- Tenure condition for further 20%: remains eligible employee for 48 months
- Tenure condition for the remaining 20% : remains eligible employee for 60 months

Gage Roads Brewing Co Limited
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For the year ended 30 June 2018

Note 16 : Share-based payments (continued)

- The Earnings Condition will be satisfied for each year tranche if at least 95% of the current internal board approved expected earnings before interest tax depreciation and amortisation (EBITDA) for that year is achieved.
- Share Value Condition: Provided the Tenure Condition has been satisfied but the Earnings Condition has not been satisfied with regards to a particular tranche, if at any time after that year and during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Take Over Provision: Where a takeover bid for the Company's issued shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued shares, all restriction conditions applying to any Shares will be immediately waived, or
- Compromise or Arrangement: Where a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company, all restriction conditions applying to any Shares will be immediately waived, or
- Death and Permanent Disability: Where an Eligible Employee dies or as a result of a total and permanent disability fails to meet any Tenure Condition with regards to a particular tranche, the loan will remain in place and at any time during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Good Leaver Exceptions: The approved Executive & Employee Share Plan provides the Board discretion to waive restriction conditions in certain circumstances.
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 18 November 2014

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

The fair value at grant date of \$58,381 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

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

- exercise price is \$0.05
- market price of shares at grant date, \$0.050
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 1.50%
- time to maturity, 4 years; and
- a dividend yield of 0%

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

The value of the instruments has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument which was expensed to remuneration and accounted for in the share option reserve was \$12,663 for the year ended 30 June 2018.

(iii) Employee and Executive Share Plan shares issued to employees 23 April 2018

On 23 April 2018, 6,423,155 shares were issued to executives and employees of the Company at an issue price of 7.2 cents per share and corresponding non-recourse loans totalling \$462,467 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key loan terms:

- Loan amount: \$0.072 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 23 April 2025)

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 16 : Share-based payments (continued)

- Tenure condition for 60%: remains eligible employee for 36 months after date of issue
- Tenure condition for further 20%: remains eligible employee for 48 months
- Tenure condition for the remaining 20% : remains eligible employee for 60 months
- The Earnings Condition will be satisfied for each year tranche if at least 95% of the current internal board approved expected earnings before interest tax depreciation and amortisation (EBITDA) for that year is achieved.
- Share Value Condition: Provided the Tenure Condition has been satisfied but the Earnings Condition has not been satisfied with regards to a particular tranche, if at any time after that year and during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Take Over Provision: Where a takeover bid for the Company's issued shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued shares, all restriction conditions applying to any Shares will be immediately waived, or
- Compromise or Arrangement: Where a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company, all restriction conditions applying to any Shares will be immediately waived, or
- Death and Permanent Disability: Where an Eligible Employee dies or as a result of a total and permanent disability fails to meet any Tenure Condition with regards to a particular tranche, the loan will remain in place and at any time during the term of the loan the 30-day ordinary share volume weighted average price (VWAP) provides an internal rate of return of at least 32% when compared to the \$0.025 issue price and date at which the shares were issued in accordance with the most recent entitlements issue offer to Shareholders, all restriction conditions with regards to that particular tranche will be immediately waived, or
- Good Leaver Exceptions: The approved Executive & Employee Share Plan provides the Board discretion to waive restriction conditions in certain circumstances.
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 23 November 2017

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

The fair value at grant date of \$141,803 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

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

- exercise price is \$0.072
- market price of shares at grant date, \$0.072
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 2.32%
- time to maturity, 5 years; and
- a dividend yield of 0%

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

The value of the instruments has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument which was expensed to remuneration and accounted for in the share option reserve was \$7,661 for the year ended 30 June 2018.

(b) Underwriter Share Plan

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

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 16 : Share-based payments (continued)

	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the year	Forfeited during the year	Balance at end of the year	Vested at the end of the year
Advisors (Underwriter)	7-Oct-16		0.001	-	15,000,000	-	15,000,000	-
Total			0.001	-	15,000,000	-	15,000,000	-

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

Model inputs used to value the options granted included:

- exercise price is \$0.07
- market price of shares at grant date, \$0.033
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 1.50%
- time to maturity, 3 years; and
- a dividend yield of 0%

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

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

	2018	2017
	\$	\$
(b) Expenses arising from Share-based payments		
Incentive Share Scheme (a)	279,462	283,452
	279,462	283,452

(a) Key Management Personnel

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

(i) Executive Officers

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

(ii) Executive Directors

John Hoedemaker	Managing Director
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(iii) Non-Executive Directors

Ian Olson	Chairman
Robert Gould	
Graeme Wood	

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.

Key Management Personnel compensation	2018	2017
	\$	\$
Short-term employment benefits		
- Executives & Executive Directors	898,303	879,127
- Non-Executive Directors	269,007	209,394
Post-employment benefits	97,232	89,888
Share-based payments	100,978	113,763
	1,365,521	1,292,172

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 17 : Related party transactions (continued)

(b) Loans to key management personnel

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

Key Management Personnel with loans during the financial year:

30-Jun-18	Balance at the start of the year	Loans provided during the year	Loans paid back by the Employee	Interest paid and payable for the year	Interest not charged	Balance at the end of the year
Directors						
Ian Olson	612,986	-	-	-	-	612,986
Robert Gould	612,986	-	-	-	-	612,986
John Hoedemaker	1,904,466	-	-	-	-	1,904,466
Executive Key Management						
Aaron Heary	1,726,872	-	-	-	-	1,726,872
Marcel Brandenburg	577,093	-	-	-	-	577,093
Total	5,434,403	-	-	-	-	5,434,403

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

Note 18 : 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:

	2018 \$	2017 \$
Audit Services		
Audit and review of financial report		
BDO Audit (WA) Pty Ltd	56,363	52,942
Non-audit services		
BDO Corporate Finance (WA) Pty Ltd	8,160	34,782
	64,523	87,724

Note 19 : Commitments

	2018 \$	2017 \$
(a) Lease commitments - Company as lessee		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	649,290	643,441
Later than one year but not later than five years	1,359,671	1,348,250
Later than five years	-	-
	2,008,961	1,991,691
Representing:		
Operating leases as per (i) below	2,008,961	1,991,691
below	2,008,961	1,991,691

(i) Operating leases

The Company leases its Absolon Street premises under an operating lease expiring 31 August 2024 with on-going options to extend the lease by 5 years until 2034.

The Company furthermore leases warehousing premises under an operating lease which expired 30 June 2018. The Company has taken up an option to extend the lease by 12 months from 1 July 2018. The lease has further options to extend by 4 years thereafter until 30 June 2024.

Gage Roads Brewing Co Limited
Notes to the Financial Statements
For the year ended 30 June 2018

Note 20 : Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2018, 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.

Note 21 : Segment reporting

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

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

	2018	2017
	\$	\$
Revenue from external sources	33,223,525	27,164,531
Net profit/ (loss) before tax	3,151,565	3,013,864
Reportable segment assets	47,590,257	35,785,114
Reportable segment liabilities	9,266,069	9,282,180

Woolworths Limited is a major customer of the company as defined by AASB 8, as revenue from that customer exceeds 10% of total revenue from external sources. The Company sells into the Woolworth's national distribution network and also to other national and international outlets.

Note 22 : Contingencies and Guarantees

(a) Contingent assets or liabilities

The Company had no contingent assets or liabilities as at 30 June 2018 or 2017.

(b) Guarantees

The Company has a bank guarantee of \$193,000 in respect to its leased property at 14 Absolon Street, Palmyra 6057 (2017: \$200,000).

INDEPENDENT AUDITOR'S REPORT

To the members of Gage Roads Brewing Co. Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Gage Roads Brewing Co. Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Gage Roads Brewing Co. Ltd, 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 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Revenue recognition is a key audit matter due to the significance of revenue to the financial report. The Company's management focuses on revenue as a key indicator by which the performance of the Company is measured.</p> <p>Revenue recorded during the year is disclosed in Note 3 and the Company's accounting policy for recognising revenue is disclosed in Note 1(c).</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ➤ Understanding and documenting the processes and controls used by the Company in recording revenue; ➤ Assessing the revenue recognition policy for compliance with AASB 118; ➤ Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations; ➤ Tracing a sample of revenue transactions to supporting documentation; ➤ Performing cut off procedures by testing a sample of items of revenue recognised during the year and subsequent to year-end; and ➤ Assessing the adequacy of the related disclosures in Note 3 and Note 1(c) of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Gage Roads Brewing Co. Ltd, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd



Jarrad Prue

Director

Perth, 31 August 2018

Gage Roads Brewing Co Limited
Additional ASX Information
As at 30 August 2018

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 30 August 2018.

Substantial Shareholders (holding more than 5%)

Shareholder	Fully Paid Ordinary Shares	
	Ordinary Shares	Percentage
Citicorp Nominees Pty Limited	141,807,628	14.02%
J P Morgan Nominees Australia Limited	85,872,676	8.49%
Mintox Investments Pty Ltd	57,053,994	5.64%
Mr Shimin Song	51,881,412	5.13%

Top 20 Shareholders

(a) Fully Paid Ordinary Shares

Shareholder	Fully Paid Ordinary Shares	
	Ordinary Shares	Percentage
Citicorp Nominees Pty Limited	141,807,628	14.02%
J P Morgan Nominees Australia Limited	85,872,676	8.49%
Mintox Investments Pty Ltd	57,053,994	5.64%
Mr Shimin Song	51,881,412	5.13%
HSBC Custody Nominees (Australia) Limited	50,673,617	5.01%
Heytesbury Pty Ltd	39,569,938	3.91%
Nice Day For A Walk Pty Ltd	38,377,601	3.79%
Mirrabooka Investments Limited	20,000,000	1.98%
Mr Scott Grayston Player	16,129,860	1.59%
Robert Gould	12,298,248	1.22%
Jennifer Madeline Olson	12,259,725	1.21%
National Nominees Limited	11,678,028	1.15%
Mr Donald John Pleasance	10,929,860	1.08%
Mr Marcel Brandenburg	10,868,383	1.07%
Giromol Pty Ltd	10,838,523	1.07%
Mr Marcus Jeen Creighton	10,300,000	1.02%
Mr Matthew Lloyd Morisey	10,129,860	1.00%
Marcacey Pty Ltd	9,200,000	0.91%
Mr Peter Howells	7,038,523	0.70%
Open Road Holdings Pty Ltd	6,168,383	0.61%
	613,076,259	60.61%

(b) Unlisted Options over Fully Paid Ordinary Shares

Argonaut Investments Pty Limited	15,000,000	100.00%
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Additional ASX Information (continued)

Distribution of Holders of Ordinary Fully Paid Shares

Range	Total Holders	Units	Percentage
1-1,000	107	10,828	0.00%
1,001-5,000	205	803,402	0.08%
5,001-10,000	569	4,509,787	0.45%
10,001-100,000	2,041	79,960,685	7.90%
100,001 and above	811	926,271,515	91.57%
Total	3,733	1,011,556,217	100.00%

As at 30 August 2018 there were 178 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 30 August 2018 there are nil ordinary shares and options held in escrow.