Appendix 4D
Half-Year Report

Gage Roads Brewing Co Limited
ABN 22 103 014 320

For the half-year ended 31 December 2019

Results for announcement to the market

Revenue from ordinary activities	up	10%	to	$19,290,821
Earnings before interest, tax, depreciation and amortisation*	Down	84%	to	$337,134
Loss from ordinary activities after tax attributable to members	Down	181%	to	($722,721)
Net loss attributable to members	Down	181%	to	($722,721)

* Please note due to the mandatory adoption of accounting standard *AASB 16 Leases* the $337,134 EBITDA result excludes $486,644 of lease costs which are now recognised as amortisation and finance costs. As suggested under the standard, we have not restated the comparatives for the reporting period.

Dividends (distributions)

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

Net tangible assets per share	**31 December 2019**	31 December 2018
	$	$
	0.06	0.03

Details of controlled entities

There were no controlled entities acquired during the period.

There were no controlled entities disposed of during the period.

Details of associates and joint venture entities

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

Reporting Periods

The current reporting period is the half-year ended 31 December 2019. The previous corresponding period is the half-year ended 31 December 2018.

Commentary on the results for the half-year ended 31 December 2019

H1 FY20 SUMMARY

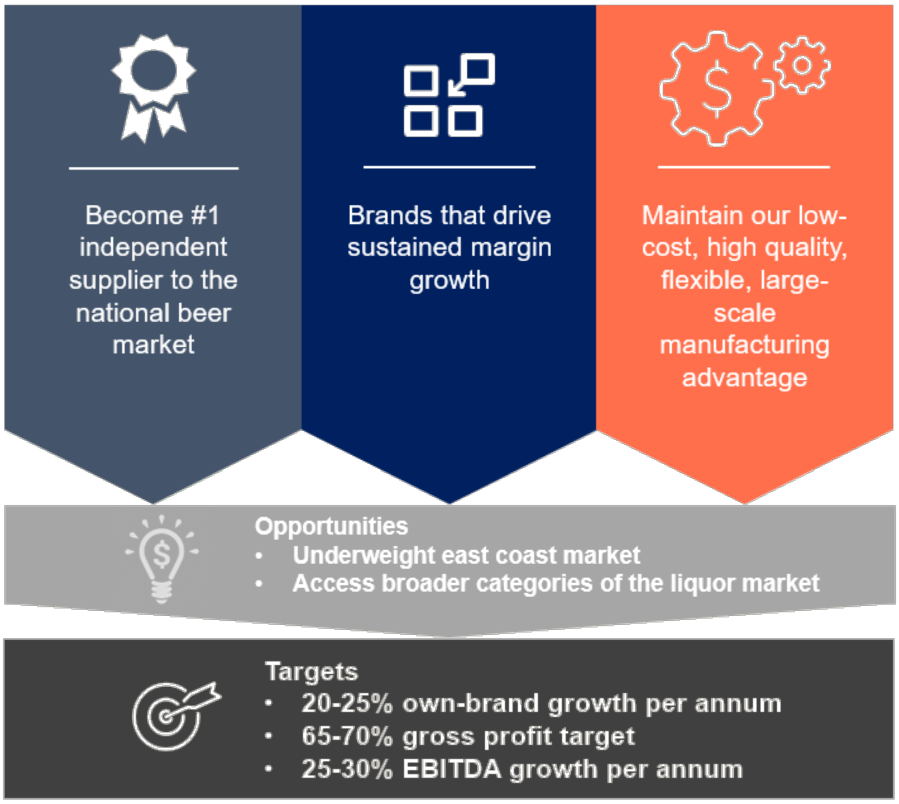
- Good Drinks brands up 17% to 4.2m Litres
- Revenue up 10% to $19.3m
- Gross profit up 12% to $13.3m (69% GP)
- H1 FY20 EBITDA $0.3m
- $8m packaging line expansion program on track
- Redfern microbrewery and taproom on track
- 5,000+sqm logistics facility and cold store commissioned

Results are in comparison to H1FY19

The combination of our investment in the longer-term Good Drinks strategy and an isolated and temporary shortfall in sales through one channel to market has led to a softer H1 earnings result in comparison to H1 FY19. We feel that the Good Drinks strategy is building a firm foundation for future growth of earnings, including the expansion into the east coast and that the business is on track to achieve the strategy's longer-term targets.

GOOD DRINKS STRATEGY

We continue to invest in the Good Drinks strategy and grow the three pillars that are delivering a sustainable competitive advantage for our business and our shareholders.



Become #1 independent supplier to the national beer market

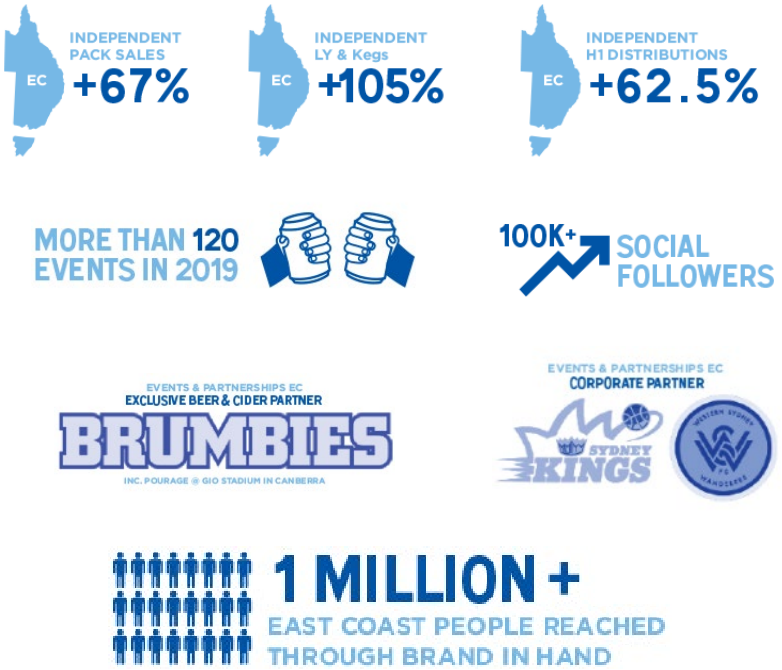
East Coast Expansion

We have seen good traction in executing our strategy to develop opportunities in the underweight east coast markets. Aligned with our strategy, the investment in our east coast sales resources, including state-based leadership and key account management, is proving successful and momentum on the east coast is growing strongly.

H1 distributions grew 55% nationally, with the east coast growing at 62.5% and the independent retailer's share of business growing by 15%.

The key account team signed terms with a number of banner groups for 400+ incremental bottleshops (NSW, VIC, QLD), ranging both *Single Fin Summer Ale* & *Matso's Ginger Beer*. Additionally, the team secured a key national on-premise partner contributing to 105% of draught sales on the east coast.

Brand-in-hand activities included securing the exclusive beer and cider partnership for the ACT Brumbies at GIO Stadium in Canberra and partnerships with Sydney Kings, Western Sydney Wanderers, Laneway Music Festival.



Brands that drive sustained margin growth

Brand growth

An emerging trend is the importance of independence within the craft beer category. Independent craft brands are growing strongly at 28% per annum, outperforming the broader craft beer category. Gage Roads, proudly being one of the largest independent brewers in Australia, is contributing to that growth and is well-positioned to take advantage of that consumer trend.

Recent data indicates Good Drinks' brands are delivering more value to retailers than any other independent craft brands in Australia. Providing more value to our customers than our competitors is helping Good Drinks become the #1 independent supplier to the national beer market.

Single Fin and Matso's Ginger Beer continue to be our leading brands, growing strongly at 34% per annum both in retail and on-premise. During the half-year we have also introduced a number of innovative new products, including *Side Track XPA, The Atomic Beer Project XPA* and *IPA* and *Matso's Hard Lemon*.

Brands that drive sustained margin growth

Redfern venue

The strategy to strengthen relevance of our brands in local markets is underway with the commencement of our taproom and microbrewery in Redfern, *The Atomic Beer Project*. The venue is expected to be open to the public in Q4 FY20 at a cost of $4.5m.

The capital cost of the first venue is expected to be funded via existing operating cash flows and credit facilities. The strategy considers creating a number of venues over the next few years in strategic markets including Queensland, Western Australia, New South Wales and Victoria. We are currently evaluating potential sites in Western Australia, Queensland and an additional site in New South Wales. If any of these sites become feasible in the short-term, we expect them to be funded through a mixture of available finance and partnering with property owners and developers. We do not expect to fund any additional venues through the issue of equity.

Maintain our low-cost, high quality, flexible, large-scale manufacturing advantage

Packaging line expansion

Aligned with our strategy to maintain our manufacturing advantage, the high-speed canning line and the upgrade of our existing bottling line is on track and nearing completion.

These improvements include the installation of world-leading filling technology, delivering significant improvements in product quality and longevity, a new can-format capability for the business and increased plant efficiencies. These improvements are expected to result in lower operating costs and improved earnings as they become fully utilised.

The site works and the mechanical installation of the equipment are largely complete with electrical works and software integration remaining before final commissioning is completed. Our new bottle filler is being commissioned this week and expected to be in full production by the end of February and the new canning line is scheduled to be commissioned in March. Accordingly, the program is both on schedule and on budget and is fully funded via a capital raising undertaken in June 2019.

Warehouse and cold store expansion

During the half-year we have also moved into a larger warehouse and cold store facility, significantly increasing our inventory capacity. Crucially, the cold store capability delivers market-leading quality for our brands. The investment in our expanded logistics facility provides scale and efficiency and is aligned with our strategy to maintain our lower cost, high quality, flexible manufacturing advantage. The new 5,000+ sqm warehouse and cold store is an important piece of strategic infrastructure designed to complement our growth plans over the next 5 years.

The new facility and stock-build in H1 will allow us to comfortably complete the packaging line expansion project without any expected out-of-stock scenarios. Production amounted to 8.7m L in H1 FY20 (compared to 6.1m L sold), ending the half-year with a healthy inventory balance.

H1 FY20 NATIONAL SALES RESULTS

Sales by channel (million Litres)	H1 FY20	H1 FY19	Growth
National Chains	1.0	1.4	-25%
Independent Retailers	1.5	1.0	47%
Draught	0.9	0.7	41%
Brand-in-hand	0.7	0.5	40%
Total Good Drinks volume	4.2	3.6	17%
Contract -Brewed Brands	1.9	2.2	-14%
Total Volume	**6.1**	**5.8**	**5%**

Our strategy to diversify our channel mix has delivered strong growth across the independent channel and on-premise draught channel resulting in total Good Drinks brands for the half-year being up 17% to 4.2 million Litres.

However, sales of Good Drinks brands through the national chains were down 25% for the half-year contributing to a shortfall to our total 20-25% annual volume growth target for the Good Drinks brands. This shortfall was due to a combination of high opening inventory balances and timing of new product ranging with our largest national customer relating to the transition from a historic contractual relationship to one of a traditional supplier.

We feel this is a temporary shortfall to strategy. Large inventory balances in the national chains channel at the beginning of the financial year resulted in lower replenishments of around 0.6m L in H1. The higher-than-usual inventory balances were a result of meeting volume commitments relating to a supply agreement which concluded 30 June 2019. Accordingly, this stock overhang is not expected to re-occur.

The independent channel also held 0.2m L in additional inventory at the beginning of this financial year.

Pleasingly, strong consumer demand at store level has reduced these inventory balances back to normal levels, indicating that the brand health of the brands in our portfolio continues to be very strong.

During the half-year, we deleted a number of non-performing brands with a view that our strong new product development program would compensate for the deleted volume. Not all of the proposed new products were accepted by the national chains during the first range review which impacted an estimated 0.4m L of sales in the short-term.

However, these new products have performed exceptionally well in the independent and on-premise channels and we anticipate the major national retailers to follow the market in the uptake of these products over time.

Our investment in resources to strengthen our key account service capabilities is proving to be highly effective and we are successfully positioning ourselves as a top-tier national beer business partner for both the national chains and key independent groups and wholesalers.

We are pleased with the growth in the independent retail channel (up 47%) and the on-premise channel (up 41%) which highlights the strong brand health of our products. Diversification towards these channels continues to be a key driver of our strategy.

CASHFLOW AND BALANCE SHEET

Cash Reconciliation 1 July to 31 Dec	$m
Opening balance 1 July	9.3
Increase in receivables	-6.6
Increase in inventory	-4.0
Increase in payables	4.2
Proceeds from debtor finance facility	4.0
Proceeds from senior debt facility	2.0
Proceeds from issue of equities	1.0
Payments for Plant & Equipment	-4.2
Closing cash balance 31 December	**5.7**

During the half-year, debtors have increased by $6.6m as a result of both the seasonal cycle of beer sales towards the end of the calendar year as well as a change in payment terms with our largest national chain customer. The impact of this change in payment terms has now been absorbed in full. In order to manage this change in working capital we have put in place a $4.5m trade debtor finance facility which was drawn to $4.0m at balance date.

Inventory increased by $4.0m in order to build up stock to cover sales during the implementation of our packaging line expansion program.

We also utilised $2.0m of our $5.8m senior debt facility to help fund short-term working capital requirements.

Capital expenditure for the period amounted to $4.2m including the packaging line expansion, Redfern venue preliminaries and on-going maintenance capital expenditure. We expect to spend an additional $3.2m to finalise the Redfern venue in H2 (total build $4.5m) and $4m to complete the packaging line expansion (total build $8m). As the packaging line expansion was partly vendor-financed, only $2m of these payments will fall into H2 with the remainder spread over FY21 and FY22.

The Company ended the half-year with a cash position of $5.7m. The unwinding of the both the debtor position as well as the inventory levels are expected to have a positive cash flow impact in H2 and with headroom in our facilities, the business remains funded through operating cash flows and existing facilities.

H1 EARNINGS RESULT

	H1 FY20	H1 FY19	Variance
Volume (m Litres)	**6.1**	**5.8**	**0.3**
Revenue	$ 19.3	$ 17.5	$ 1.8
Cogs	($ 6.0)	($ 5.6)	($ 0.4)
Gross Profit	**$ 13.3**	**$ 11.9**	**$ 1.4**
GP%	69%	68%	1%
Variable Costs	($ 3.8)	($ 2.8)	($ 1.0)
Gross Contribution	**$ 9.5**	**$ 9.1**	**$ 0.4**
Sales & Marketing	($ 6.1)	($ 4.1)	($ 2.0)
Operating Costs	($ 3.1)	($ 2.9)	($ 0.2)
EBITDA	**$ 0.3**	**$ 2.1**	**($ 1.8)**

The combination of the shortfall of sales combined with the continued investment in the Good Drinks strategy has impacted the half-year earnings, resulting in a $0.3m EBITDA for H1 FY20.

The growth in sales of our own brands has resulted in revenues of $19.3m for the half-year, an improvement of 10% over H1 FY19.

The own-brand portion of the total sales mix has grown from 62% in H1 FY19 to 68% in H1 FY20. This shift in sales mix towards our own brands has improved our gross profit margin to 69%.

With the growth of our brands on the east coast and in the independent channel, we incurred additional $0.6m in variable costs, relating to distribution, and warehousing costs and $0.4m in one-off costs relating to obsolete stock and old packaging from the Matso's acquisition. As higher volumes to the east coast deliver logistical efficiencies, we expect to achieve cost savings in distribution and warehousing and are targeting a gross contribution percentage similar to the prior year.

During the half-year, we continued to invest in the Good Drinks Strategy with an additional $1.9m in sales and marketing expenditure.

The mandatory adoption of the new accounting standard *AASB 16 Leases* resulted in lease costs being recognised in amortisation and finance costs that were previously classified as occupancy or operating expenses in the accounts. The impact of the adoption of the standard resulted in $394,361 increase in amortisation and $95,283 increase finance costs and a corresponding decrease in occupancy and operating expenses in the accounts. These expenses relate to the leases of properties and motor vehicles. As suggested under the standard, we have not restated the comparatives for the reporting period.

OUTLOOK

FY20 is a year of 'changing gears' for our business. We are investing ahead of the curve in the right areas of the business to drive future growth.

The transition from a contractual relationship to a traditional supplier with our largest national chain customer has been completed but in this period led to an isolated and temporary loss of sales that did have an impact on our short-term H1 earnings. We expect H2 FY20 sales and earnings to be on track and aligned with our strategy, however they will not recover the H1 shortfall and will mean that our target of 25-30% EBITDA growth is unlikely to be met for FY20.

The investment in our packaging lines, growing our sales capabilities and broadening our brand portfolio as well as the execution of our venue strategy are all key strategic pillars designed to secure the long-term success of our business. The Good Drinks strategy, to expand our sales and marketing efforts and to accelerate our brands' growth on a national basis, is on track and sales at store level continue to grow strongly. Accordingly, we believe the strategy and the targets we have set for ourselves are sound and achievable and our expectations for FY21 and beyond remain unchanged.

John Hoedemaker
Managing Director

Please refer to the attached Financial Report for the half-year ended 31 December 2019 for further information.

Compliance statement

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

☐	The accounts have been audited.	☑	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

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

Signed: Company Secretary

Date: 28 February 2020

Name: Marcel Brandenburg

GAGE ROADS BREWING CO LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

ABN 22 103 014 320

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2019, and any public announcements made by Gage Roads Brewing Co Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors
Graeme Wood
Ian Olson (Chairman)
John Hoedemaker
Robert Gould

Managing Director
John Hoedemaker

Company Secretary
Marcel Brandenburg

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Fax: (08) 9331 2400
Web: www.gageroads.com.au

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PALMYRA WA 6961

Auditor
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SUBIACO WA 6008

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

Stock Exchange Listing
ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

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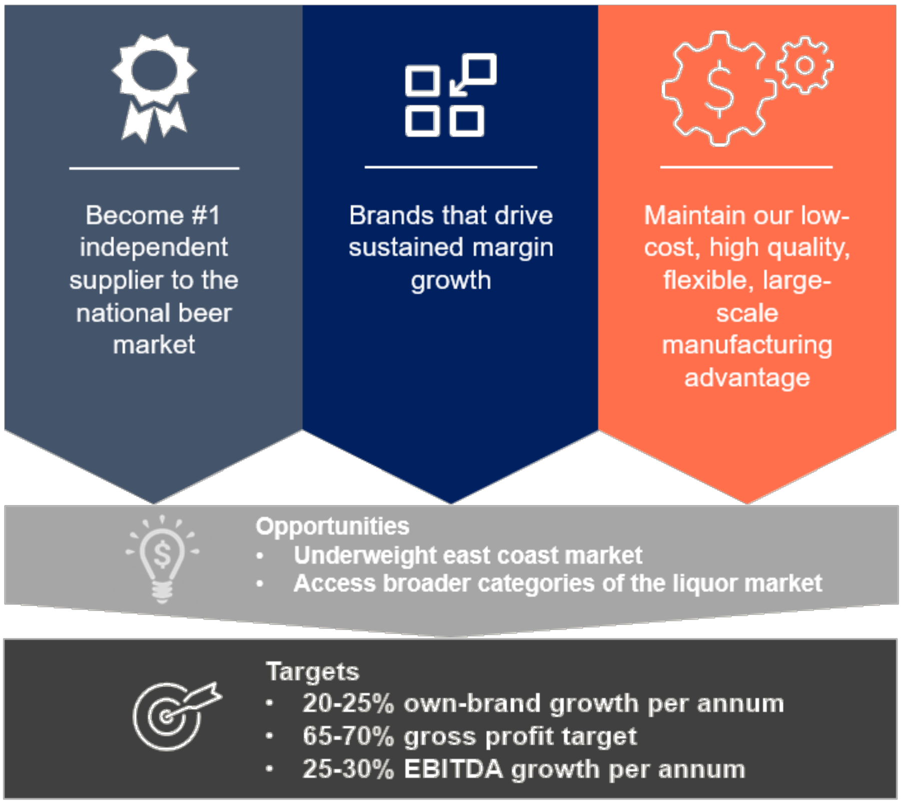

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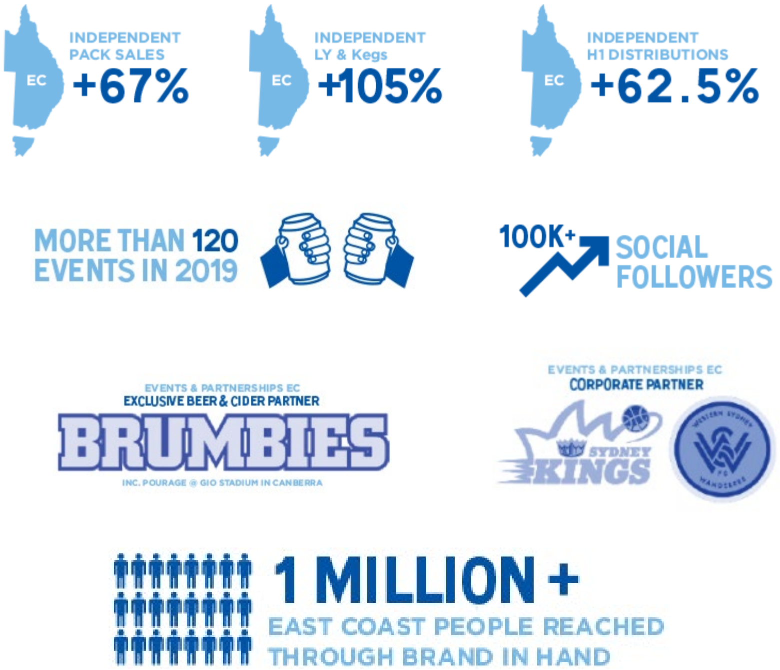

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However, these new products have performed exceptionally well in the independent and on-premise channels and we anticipate the major national retailers to follow the market in the uptake of these products over time.

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We are pleased with the growth in the independent retail channel (up 47%) and the on-premise channel (up 41%) which highlights the strong brand health of our products. Diversification towards these channels continues to be a key driver of our strategy.

CASHFLOW AND BALANCE SHEET

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Increase in payables	4.2
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Closing cash balance 31 December	**5.7**

During the half-year, debtors have increased by $6.6m as a result of both the seasonal cycle of beer sales towards the end of the calendar year as well as a change in payment terms with our largest national chain customer. The impact of this change in payment terms has now been absorbed in full. In order to manage this change in working capital we have put in place a $4.5m trade debtor finance facility which was drawn to $4.0m at balance date.

Inventory increased by $4.0m in order to build up stock to cover sales during the implementation of our packaging line expansion program.

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The Company ended the half-year with a cash position of $5.7m. The unwinding of the both the debtor position as well as the inventory levels are expected to have a positive cash flow impact in H2 and with headroom in our facilities, the business remains funded through operating cash flows and existing facilities.

H1 EARNINGS RESULT

	H1 FY20	H1 FY19	Variance
Volume (m Litres)	**6.1**	**5.8**	**0.3**
Revenue	$ 19.3	$ 17.5	$ 1.8
Cogs	($ 6.0)	($ 5.6)	($ 0.4)
Gross Profit	**$ 13.3**	**$ 11.9**	**$ 1.4**
GP%	69%	68%	1%
Variable Costs	($ 3.8)	($ 2.8)	($ 1.0)
Gross Contribution	**$ 9.5**	**$ 9.1**	**$ 0.4**
Sales & Marketing	($ 6.1)	($ 4.1)	($ 2.0)
Operating Costs	($ 3.1)	($ 2.9)	($ 0.2)
EBITDA	**$ 0.3**	**$ 2.1**	**($ 1.8)**

The combination of the shortfall of sales combined with the continued investment in the Good Drinks strategy has impacted the half-year earnings, resulting in a $0.3m EBITDA for H1 FY20.

The growth in sales of our own brands has resulted in revenues of $19.3m for the half-year, an improvement of 10% over H1 FY19.

The own-brand portion of the total sales mix has grown from 62% in H1 FY19 to 68% in H1 FY20. This shift in sales mix towards our own brands has improved our gross profit margin to 69%.

With the growth of our brands on the east coast and in the independent channel, we incurred additional $0.6m in variable costs, relating to distribution, and warehousing costs and $0.4m in one-off costs relating to obsolete stock and old packaging from the Matso's acquisition. As higher volumes to the east coast deliver logistical efficiencies, we expect to achieve cost savings in distribution and warehousing and are targeting a gross contribution percentage similar to the prior year.

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The transition from a contractual relationship to a traditional supplier with our largest national chain customer has been completed but in this period led to an isolated and temporary loss of sales that did have an impact on our short-term H1 earnings. We expect H2 FY20 sales and earnings to be on track and aligned with our strategy, however they will not recover the H1 shortfall and will mean that our target of 25-30% EBITDA growth is unlikely to be met for FY20.

The investment in our packaging lines, growing our sales capabilities and broadening our brand portfolio as well as the execution of our venue strategy are all key strategic pillars designed to secure the long-term success of our business. The Good Drinks strategy, to expand our sales and marketing efforts and to accelerate our brands' growth on a national basis, is on track and sales at store level continue to grow strongly. Accordingly, we believe the strategy and the targets we have set for ourselves are sound and achievable and our expectations for FY21 and beyond remain unchanged.

John Hoedemaker
Managing Director

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2019.

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

Graeme Wood
Ian Olson (Chairman)
John Hoedemaker
Robert Gould

Managing Director
John Hoedemaker

Company Secretary
Marcel Brandenburg

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

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/(loss) of the Company for the half-year ended 31 December 2019 after providing for income tax amounted to ($722,721) (2018: $887,804).

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

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

Ian Olson
Chairman

Palmyra
28 February 2020

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PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF GAGE ROADS BREWING CO. LIMITED

As lead auditor for the review of Gage Roads Brewing Co. Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020

Gage Roads Brewing Co Ltd
Directors' Declaration
For the Half-Year ended 31 December 2019

The Directors of the Group declare that:

(a) The financial statements and notes set out on pages 14 to 25 are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

(b) In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Ian Olson
Chairman

Palmyra
28 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gage Roads Brewing Co. Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Gage Roads Brewing Co. Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 28 February 2020

Gage Roads Brewing Co Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year ended 31 December 2019

	Notes	**31 December 2019 $**	31 December 2018 $
Revenue from continuing operations			
Sales revenue		**19,290,821**	17,500,534
Interest revenue		**8,474**	16,891
	3	**19,299,296**	17,517,425
Other income	3	**325,809**	120,902
Raw materials, consumables & delivery		**(6,831,061)**	(6,002,648)
Operating expenses		**(2,524,677)**	(1,866,846)
Employee expense	4	**(5,648,521)**	(4,212,557)
Depreciation and amortisation expense		**(1,211,715)**	(678,046)
Sales and marketing		**(3,819,223)**	(2,874,395)
Administration costs		**(447,612)**	(259,637)
Occupancy costs		**(16,877)**	(323,858)
Finance costs		**(180,093)**	(45,807)
Profit (loss) before income tax		**(1,054,674)**	1,374,533
Income tax benefit (expense)		**331,953**	(486,729)
Net Profit (loss) attributable to the members of Gage Roads Brewing Co Ltd		**(722,721)**	887,804
Comprehensive Income (Loss)			
Items that may be reclassified to profit or loss:			
Cashflow Hedges		(388,592)	157,911
Total Comprehensive Income (Loss) for the half year		(1,111,313)	1,045,714
Profit (loss) per share attributable to the members of Gage Roads Brewing Co Ltd			
Basic and diluted profit (loss) per share (cents)		**(0.06)**	0.09
Diluted profit (loss) per share		**(0.06)**	0.09

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

Gage Roads Brewing Co Ltd
Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	**31 December 2019 $**	30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents		**5,664,894**	9,270,630
Trade and other receivables	5	**17,221,833**	11,144,684
Inventories		**6,840,734**	2,852,137
Total current assets		**29,727,462**	23,267,451
Non-current assets			
Property, plant and equipment	6	**29,633,519**	25,708,586
Right-of-use assets	11	**13,392,215**	-
Intangible assets	7	**14,213,655**	14,407,955
Deferred tax asset		**287,898**	-
Total non-current assets		**57,527,287**	40,116,541
Total assets		**87,254,749**	63,383,991
LIABILITIES			
Current liabilities			
Trade and other payables	8	**18,714,911**	10,263,533
Deferred consideration		**-**	1,200,000
Provisions		**395,700**	364,600
Lease liabilities	11	**615,416**	-
Current tax liability		**416,171**	686,078
Total current liabilities		**20,142,198**	12,514,210
Non-current liabilities			
Lease liabilities	11	**12,797,711**	-
Borrowings	9	**2,000,000**	-
Total non-current liabilities		**14,797,711**	-
Total liabilities		**34,939,909**	12,514,210
Net assets		**52,314,840**	50,869,781
EQUITY			
Contributed equity	10	**55,088,221**	52,711,850
Hedge Reserve		**(306,151)**	82,440
Share options reserve		**2,228,490**	2,048,490
Accumulated losses		**(4,695,719)**	(3,972,999)
Total equity		**52,314,840**	50,869,781

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

Gage Roads Brewing Co Ltd
Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2019

	Contributed equity $	Accumulated Losses $	Share Option reserve $	Hedge Reserve $	Total equity $
At 1 July 2018	43,042,933	(6,622,385)	1,817,213	(84,420)	38,153,341
Total comprehensive income for the half-year	-	887,804	-	157,911	1,045,714
Transactions with equity holders in their capacity as equity holders:					
Issue of share capital, net of transaction costs	2,063,379	-	-	-	2,063,379
Employee and other share options expensed	-	-	93,278	-	93,278
At 31 December 2018	**45,106,313**	**(5,734,581)**	**1,910,491**	**73,491**	**41,355,713**
At 1 July 2019	**52,711,850**	**(3,972,999)**	**2,048,490**	**82,440**	**50,869,781**
Comprehensive Income (loss)					
Profit (loss) for the period	-	(722,721)	-	-	(722,721)
Other Comprehensive income (loss)	-	-	-	(388,591)	(388,591)
Total comprehensive income (loss) for the half-year	**-**	**(722,721)**	**-**	**(388,591)**	**(1,111,312)**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	-	-	-	-	-
Issue of share capital net of transaction costs and tax	2,376,371	-	-	-	2,376,371
Employee and other share options expensed	-	-	180,000	-	180,000
At 31 December 2019	**55,088,222**	**(4,695,719)**	**2,228,489**	**(306,151)**	**52,314,840**

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

Gage Roads Brewing Co Ltd
Consolidated Statement of Cash Flows
For the Half-Year ended 31 December 2019

	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Receipts from customers (inc. of GST, WET and Excise Tax)	**26,555,938**	23,850,041
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	**(28,369,478)**	(23,405,649)
	(1,813,541)	444,393
Interest received	**8,474**	16,891
Interest paid	**(180,093)**	(45,807)
Net cash inflow/(outflow) from operating activities	**(1,985,159)**	415,477
Cash flows from investing activities		
Payments for property, plant and equipment	**(4,203,440)**	(1,837,474)
Payments for intangibles	**(42,143)**	(12,646,439)
Proceeds from property, plant and equipment	**150**	(126)
Net cash outflow from investing activities	**(4,245,432)**	(14,484,039)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**1,050,000**	2,080,596
Share issue transaction costs	**(44,970)**	(17,216)
Proceeds from borrowings	**2,343,196**	-
Repayment of borrowings	**(98,207)**	-
Repayment of lease liabilities	**(564,035)**	-
Net cash inflow from financing activities	**2,685,984**	2,063,379
Net decrease in cash and cash equivalents	**(3,544,608)**	(12,005,183)
Effect of movement in exchange rates on cash held	**(61,128)**	(80,395)
Cash and cash equivalents at the beginning of the financial half-year	**9,270,630**	16,889,229
Cash and cash equivalents at the end of the financial half-year	**5,664,894**	4,803,651

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

Note 1 : Summary of significant accounting policies

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

The general purpose financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001. The historical cost basis has been used as the basis of preparation.

These half-year financial statements do not include all the notes of the type normally included in the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, this half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by Gage Roads Brewing Co Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this half-year financial report as compared with the most recent annual financial report, with the exclusion of the new accounting standard and new accounting policies as adopted by the Group as disclosed below:

(b) Accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s annual financial report for the financial year ended 30 June 2019, except for the application of the following standard for the first time for the half-year period commencing 1 July 2019:

- AASB 16 Leases (“AASB 16”)

The Group had to change its accounting policies following the adoption of AASB 16. This is disclosed in note 1(d) below. There were no impacts or retrospective adjustments required as a result of the new standard.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

(c) Accounting standards not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these is are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material);
- IFRS 3 Business Combinations (Amendment – Definition of Business);
- Revised Conceptual Framework for Financial Reporting;

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. There are no other issued standards which are not yet effective other than those disclosed in the company’s annual financial report for the financial year ended 30 June 2019.

Note 1 : Summary of significant accounting policies (continued)

(d) New accounting policies

AASB 16 Leases

The Group adopted the new standard using the modified retrospective approach and applied the practical expedient per AASB 16.C10(a) and (c). Lease assets and liabilities are measured at the present value of future payments on the initial date of application, being 1 July 2019.

The Group has not restated comparative for the reporting period as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The impact on the statement of financial position as at 31 December 2019 on the adoption of AASB16 are noted below:

	31 December 2019 $
Right of use assets	
Property	**13,379,509**
Motor Vehicles	**399,892**
Equipment	**7,175**
Accumulated amortisation	**(394,361)**
Total	**13,392,215**
Lease liabilities	
Current	**615,416**
Non-current	**12,797,711**
Total	**13,413,127**

The leases recognised by the Group under AASB 16 predominantly relate to the lease of Group's manufacturing premises as well as its vehicle fleet.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the consolidated profit or loss and other comprehensive income statement.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception either as a finance lease or operating lease.

Practical expedients applied

In applying AASB16 for the first time, the Group has used the following practical expedients permitted by the standard:

• The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
• Reliance on previous assessment on whether leases are onerous;
• The accounting for operating leases with a remaining term of less than 12 months as at 1 July 2019 as short-term leases;
• The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
• The use of hindsight in determining the leases term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB117 and IFRIC4 Determining whether an Arrangement contains a Lease.

Note 1 : Summary of significant accounting policies (continued)

Leases accounting policy (applied from 1 July 2019)
When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Leases as a lessee
Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and impairment losses, assessed in accordance with the Group's impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the consolidated profit or loss and other comprehensive income statement.

To determine the incremental borrowing rate, the group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Short-term leases and lease of low value assets
Short-term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the consolidated profit or loss and other comprehensive income statement. Low value assets comprise plant and equipment.

Note 2 : New significant judgements and estimates

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

The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year (in addition to those disclosed within the 30 June 2019 Annual Report) are discussed below.

(a) Lease identification

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception.

The arrangement is assessed to determine whether the fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets are) not explicitly specific in an arrangement.

The Group has applied judgement in relation to the determination of a lease for purposes of the adoption of *AASB 16 Leases.*

Note 3 : Revenue & Other Income

	31 December 2019 $	31 December 2018 $
Revenue		
Sale of goods	**29,291,877**	26,497,983
Less: Excise tax & WET collected	**(10,001,056)**	(8,997,450)
Total sale of goods	**19,290,821**	17,500,534
Interest	**8,474**	16,891
	19,299,296	17,517,425
Other income		
Foreign Exchange Profit/ (Loss)	**(51,339)**	(36,139)
Other	**377,148**	157,041
	325,809	120,902

Note 4 : Expenses

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

	31 December 2019 $	31 December 2018 $
Employee Expense		
Employee and other share-based payment expense	**180,000**	93,278

Note 5 : Trade and other receivables

	31 December 2019 $	30 June 2019 $
Trade Receivables	**14,745,910**	8,750,123
Prepayments	**2,475,924**	2,394,561
Trade and other receivables	**17,221,833**	11,144,684

Note 6 : Property, plant & equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 30 June 2019				
Cost	34,787,294	667,629	239,787	35,694,710
Accumulated depreciation	(9,261,124)	(505,178)	(219,822)	(9,986,124)
Net book amount	25,526,170	162,451	19,965	25,708,586
Half-year ended 31 December 2019				
Opening net book amount	25,526,170	162,451	19,965	25,708,586
Additions	4,605,789	96,546	-	4,702,335
Depreciation charge	(717,718)	(58,190)	(1,794)	(777,702)
Disposals	-	300	-	300
Closing net book amount	29,414,241	201,107	18,171	29,633,519
At 31 December 2019				
Cost	39,393,083	764,175	239,787	40,397,045
Accumulated depreciation	(9,978,842)	(563,368)	(221,616)	(10,763,826)
Disposals	-	300	-	300
Net book amount	29,414,241	201,107	18,171	29,633,519

(a) Assets in the course of construction

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

	31 December 2019 $	30 June 2019 $
Plant and equipment	**6,703,079**	2,617,233

Note 7 : Non-current assets - intangibles

	31 December 2019 $	30 June 2019 $
Intellectual property	**481,145**	439,002
Accumulated amortisation of intellectual property	**(342,136)**	(302,484)
Total intellectual property	**139,009**	136,518
Matso's intangible brand asset	**14,074,646**	14,129,157
Total Matso's Intangible assets	**14,074,646**	14,129,157
Intangible Development Assets		
New product development assets	**-**	142,280
Total Intangible Assets	**14,213,655**	14,407,955

Note 7 : Non-current assets - intangibles (continued)

As part of Matso's asset acquisition undertaken last year, the Group acquired an intangible brand asset to the value of $12,850,612. The Group has recognised the intangible asset as having an indefinite useful life and will periodically assess the assets for indicators of impairment as disclosed within the critical accounting judgements, estimates and assumptions in the 30 June 2019 accounts.

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

Year 1 Milestone Consideration: up to 15,000,000 shares or $1.2 million cash based on sales volume targets
Year 2 Milestone Consideration: up to 15,000,000 shares or $1.2 million cash based on sales volume targets
Year 3 Milestone Consideration: up to 5,000,000 shares based on sales volume targets

During the half-year, the year 1 miestone was reached and accordingly 14,318,615 shares (worth $1,145,489) were issued. The year 2 and 3 milestone consideration is considered possible. The sales volume position will be re-assessed as at 30 June 2020 to determine if the contingent consideration linked with the Year 2 & Year 3 milestone has become probable, at which time an estimated liability and corresponding increase to the intangible asset value would be recognised.

Note 8 : Trade and other payables

	31 December 2019	30 June 2019
	$	$
Trade and other payables from operations	**14,105,424**	10,017,265
Debtor finance facility (a)	**3,992,000**	-
Payables for capital equipment	**617,487**	246,268
	18,714,911	10,263,533

(a) The Company has a committed trade finance working capital facility with the Commonwealth Bank of Australia with the following terms:

Facility Limit: $4.5 million

Interest Rate: BBSY + 1%

Term: Revolving with annual review

Note 9 : Non-Current Liabilities

	31 December 2019	30 June 2019
Non-current liabilities	**$**	$
Borrowings (a)	**2,000,000**	-
	2,000,000	-

(a) The Company has a committed cash advance facility with the Commonwealth Bank of Australia with the following terms:

Facility Limit: $5.8 million

Interest Rate: BBSY + 1.25%

Term: 3 years, terminating 13 October 2022

Note 10 : Contributed equity

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 $	30 June 2019 $
(a) Share Capital				
Ordinary shares				
Fully paid	**1,147,575,463**	1,106,257,848	**55,088,221**	52,711,850

	2019 Shares	2019 Shares	2019 $	2019 $
(b) Movement in contributed equity:				
1 July (opening balance)	**1,106,256,848**	988,025,855	**52,711,849**	43,042,933
New shares issued				
Issues of shares during the half-year				
Ordinary shares issued (Employee loan Shares)	**12,000,000**	22,500,000	**-**	-
Ordinary shares issued	**29,318,615**	107,739,888	**2,195,489**	10,099,496
Shares cancelled	**-**	(12,008,895)	**-**	-
Capital Raising Costs	**-**	-	**(44,970)**	(430,579)
Current tax benefit	**-**	-	**225,852**	-
31 December (closing balance)	**1,147,575,463**	1,106,256,848	**55,088,221**	52,711,849

At 31 December 2019 there were 1,147,575,643 ordinary shares on issue.

Note 11 : Leases

Amounts recognised in the balance sheet:	31 December 2019 $	30 June 2019 $
Right of use assets		
Property	**13,379,509**	-
Motor Vehicles	**399,892**	-
Equipment	**7,175**	-
Accumulated amortisation	**(394,361)**	-
Total	**13,392,215**	-
Lease liabilities		
Current	**615,416**	-
Non-current	**12,797,711**	-
Total	**13,413,127**	-

Note 12 : Contingencies

Contingent liabilities and assets

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date being 30 June 2019.

Note 13 : Events occurring after reporting date

No matter or circumstance has arisen since 31 December 2019, which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Note 14 : Fair Value Financial Instruments

Recurring fair value measurements

The Group has forward foreign exchange contracts as part of a hedging strategy against fluctuation in the USD foreign exchange rate. The fair value of these contracts at period end was $306,151 and was based on level 2 valuation inputs.

Fair values of financial instruments not measured at fair value

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

Note 15 : Segment Reporting

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

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

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

	31 December 2019 $	31 December 2018 $
Revenue from external sources	**19,290,821**	17,500,534
Net profit (loss) before tax	**(1,054,674)**	1,374,533

	31 December 2019	30 June 2019
Reportable segment assets	**87,254,749**	63,383,991
Reportable segment liabilities	**34,939,909**	12,514,210

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