Golden West Brewing Company, Inc.
Form 10KSB
May 09, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-51808

GOLDEN WEST BREWING COMPANY, INC.

(Name of Small Business Issuer in its Charter)

Delaware	90-0158978
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification number

945 West 2nd Street, Chico, CA 95928
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (530) 894-7906

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $.0001 par value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. [ ]

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [X]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes___ No_X___

State issuer's revenues for its most recent fiscal year. $1,253,485.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act).

The aggregate market value of the voting stock held by non-affiliates of the Registrant at May 9, 2008, was $742,175.

As of April 15, 2008, 3,359,000 shares of the Registrant's common stock par value $.01 per share, were outstanding.

Documents Incorporated by Reference: If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 (Securities Act). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990).

The Registrant incorporates by this reference the following:

PART IV - EXHIBITS

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

*	2.1	Asset Purchase and Sale Agreement dated October 8, 2004
*	2.2	Amendment No. 1 to Asset Purchase and Sale Agreement
*	2.3	Amendment No. 2 to Asset Purchase and Sale Agreement dated July 31, 2005
*	2.4	Amendment No. 3 to Asset Purchase and Sale Agreement dated August 31, 2005
*	3.1	Amended and Restated Certificate of Incorporation
***	3.1.1	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock
*	3.2	By-Laws
*	4.1	2004 Equity Incentive Plan
*	4.2	Form of Subscription Agreement
*	4.3	Specimen common stock certificate
*	10.1	Lease Agreement
*	10.2	Form of Escrow Agreement
*	10.3	Amended Trademark Assignment
*	10.3.2	Initial Assignment of Trademark
*	10.4	Lock-up Letter for Brian Power
*	10.5	Lock-up Letter for John C. Power
*	10.6	Lock-up Letter for J. Andrew Moorer
*	10.7	Amended Fund Escrow Agreement
*	10.8	Lease Agreement with Golden West Brewing Company
*	10.9	Security Agreement in favor of Power Curve, Inc., Lone Oak Vineyards, Inc. and Tiffany Grace.
*	10.10	Promissory Note dated September 9, 2005, Tiffany Grace, Holder
*	10.11	Promissory Note dated September 9, 2005, Lone Oak Vineyards, Inc., Holder
*	10.12	Promissory Note dated September 9, 2005, Power Curve, Inc., Holder
*	10.13	Assignment and Assumption dated August 31, 2005 between Butte Creek Brewing Company, LLC, Golden West Brewing Company and Golden West Brewing Company, Inc.
*	10.14	Amended and Restated Assignment and Assumption

*	10.15	August 7, 1998 Distribution Agreement
*	10.16	Territorial Agreement
*	10.17	November 4, 2002 Distribution Agreement
*	10.18	June 1, 2001 Authorization
*	10.19	July 22, 2004 Authorization
*	10.20	September 1, 2005 Authorization
*	10.22	Second Amended Fund Escrow Agreement
*	10.23	Contract with New Zealand Hops, Ltd., 2006
*	10.24	Contract with New Zealand Hops, Ltd., 2007
*	10.25	Second Amended and Restated Assignment and Assumption
*	10.26	Third Amended Fund Escrow Agreement
*	10.27	Secured Promissory Note with John C. Power
*	10.28	Secured Promissory Note with Power Curve, Inc.

*	10.29	General Security Agreement with John C. Power and Power Curve, Inc.
**	10.30	Production Agreement with Bison Brewing Co.
**	10.31	Employment Agreement with David DelGrande
**	10.32	License, Production and Distribution Agreement dated November 1, 2006 with Mateveza USA, LLC
****	10.33	Employment Agreement with Mark Simpson
****	10.34	Consultation Agreement with Artisan Food and Beverage Group
*****	10.35	Credit Agreement dated December 11, 2007
******	10.36	Promissory Note dated March 12, 2008
******	10.37	Security Agreement dated March 12, 2008
******	10.38	Guaranty Agreement dated March 12, 2008
**	14	Code of Ethics
*	21.0	List of Subsidiaries

* Incorporated by reference from the Company's Registration Statement on Form SB-2, SEC File No. 121351 as declared effective by the Commission on February 14, 2006.

** Incorporated by reference from the Company s Current Report on Form 8-K dated March 1, 2007 and filed with the Commission on March 8, 2007.

*** Incorporated by reference from the Company s Current Report on Form 8-K dated September 4, 2007 and filed with the Commission on September 14, 2007.

**** Incorporated by reference from the Company s Current Report on Form 8-K dated December 4, 2007 and filed with the Commission on December 6, 2007.

***** Incorporated by reference from the Company s Current Report on Form 8-K dated December 11, 2007 and filed with the Commission on December 18, 2007.

****** Incorporated by reference from the Company s Current Report on Form 8-K dated March 12, 2008 and filed with the Commission on March14, 2008.

Transitional Small Business Disclosure Format (Check One): Yes _____; No ___X___

Safe Harbor for Forward-looking Statements

In General

This report contains statements that plan for or anticipate the future. In this report, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like. These forward-looking statements include, but are not limited to, statements regarding the following:

* our product and marketing plans
* consulting and strategic business relationships;
* statements about our future business plans and strategies;
* anticipated operating results and sources of future revenue;
* our organization's growth;
* adequacy of our financial resources;
* development of new products and markets;
* competitive pressures;
* changing economic conditions;
* expectations regarding competition from other companies; and
* our ability to manufacture and distribute our products.

Although we believe that any forward-looking statements we make in this report are reasonable, because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to differ materially from those expressed or implied. For example, a few of the uncertainties that could affect the accuracy of forward-looking statements, include:

*

changes in general economic and business conditions affecting the craft/microbrew industries;

* developments that make our beers less competitive;

* changes in our business strategies;

* the level of demand for our products; and

* availability of sufficient working capital

In light of the significant uncertainties inherent in the forward-looking statements made in this report, particularly in view of our early stage of operations, the inclusion of this information should

not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

The safe harbor provisions of the Private Securities Litigation Reform Act of 1995 with respect to forward looking statements contained in this prospectus are not available and do not apply to us.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

We were formed to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC, a California limited liability company. We completed the acquisition of Butte Creek on August 31, 2005. We currently are a holding company for our wholly-owned subsidiary Golden West Brewing Company, a California corporation, which was formed to complete the acquisition and since the acquisition has been operating as Butte Creek Brewing Company.

Butte Creek has been operating as a premier regional craft brewery in Chico, California since 1996. It specializes in brewing certified organic craft beers. Our flagship brews consist of Organic Pale Ale, Organic Porter, Organic India Pale Ale, Organic Pilsner.. In addition, we craft seasonal brews consisting of Organic Spring Run™ Pale Ale, Organic Helltown Hefeweizen and Organic Sustainable Harvest (Fresh Hop) IPA. In 2007, we also produced four premium specialty organic ales --- Revolution X® Organic Imperial India Pale Ale and Revolution 11 Organic Imperial India Pale Ale, Trainwreck Organic Barleywine and Mateveza Organic Pale Ale. Beginning in March, 2008, we began shipping a new line of organic beers under the newly-developed brand Blue Marble Organic Pilsner . Blue Marble beers will initially be offered exclusively through Cost Plus World Markets. We also produce three craft brewed ales that are not certified organic; Mount Shasta Extra PaleAle , Mount Shasta Olde #8 Strong Ale and Mount Shasta Rock Hard Ten.

In addition to brewing our own brand of products, we contract brew for third parties.

We currently distribute our products in a total of 35 states, including our core market of California which is serviced through distributors. The majority of our distribution outside of Northern California occurs through a network of independent alcoholic beverage distributors who are licensed in their respective jurisdictions.

Butte Creek's principal offices and brewery are located at 945 West 2nd Street, Chico, California 95928. Its telephone number at that address is (530) 894-7906. In addition, our internet website is located at www.organicale.com.

Description of Operations

Effective October 8, 2004, we executed a definitive Asset Purchase and Sale Agreement to acquire Butte Creek. Under the terms of the Acquisition Agreement, on August 31, 2005, having obtained all necessary regulatory approvals, we completed the purchase of substantially all of the business assets of Butte Creek. In consideration of the Butte Creek assets, we paid:

* the sum of $350,000 in cash all of which has already been advanced;

* an additional $217,400 in advances through August 31, 2005 were capitalized as part of the purchase price;

* the assumption of designated in trade and accounts payable in the approximate amount of $366,000; and

* 200,000 shares of our common stock. Those shares were issued pursuant to a Subscription Agreement executed by Butte Creek in which it makes representations to the effect that it acquired the shares for investment purposes and not with the view to subsequent resale or redistribution. The shares are restricted as to resale and issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act. The shares may not be distributed to the members of Butte Creek unless pursuant to a registration statement filed under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act, the existence of which must be demonstrated to the satisfaction of the Company.

The U.S. Beer Industry

According to publications of the Association of Brewers (*Beertown*, February, 2008), in 2007 the total beer sales in the United States consisted of approximately 211.5 million barrels (each barrel consisting of 31 U.S. gallons). Of those total sales more than 85% of sales were dominated by the four largest brewing companies:

Anheuser Busch	51%
Coors	11%
Miller Brewing Company	19%
Pabst	4%

Craft brewers represented the remaining approximate 3.8% of total U.S. sales, or 8 million barrels of craft beer.

Beer Styles

While the beers from the major American brewers are brewed to high quality standards, they are relatively neutral in flavor. They are brewed with less hops and malt than traditional European or craft-brewed beers, creating a less bitter, lighter bodied flavor. In addition, these beers are usually brewed with a high percentage of rice, corn or corn syrup, which further dilutes the flavor and body of the beers. Traditional lager beers use 100% malted barley in the

mash (with the exception of specialty wheat beers), which ensures a robust, full-bodied character. The major U.S. brewers have been successful in creating products that appeal to a wide consumer base and have spent heavily to advertise and promote their products. As a result, they have achieved a dominant position in the market for their mass-produced beers. The older regional brewers traditionally produced beers similar in style to the products of major breweries, but several have benefited from the recent boom in specialty, craft-brewed beers as both contract producers and marketers of their own products. Imported beers have long been viewed by the beer-drinking public as being more flavorful and "authentic" than the standard American beers. Although this has not always been the case, the high price and foreign origin of the imported beers created a niche category of "specialty" beers. In recent years, craft-brewed beers have further expanded the "specialty" beer market, and have increased in sales and visibility.

The vast majority of existing craft/microbrewed products in the U.S. are ales. According to a survey published in THE NEW BREWER published by the Brewers Association at www.beertown.org, the five most popular beer styles produced in brewpubs are all ales, and among the 130 responding craft/microbrewers, only the fourth most popular style (European Pilsner) is a lager. The cost of building and operating a lager brewery is substantially greater than that for an ale brewery.

The following terms are helpful in understanding our business and industry:

Craft Brewing: Beers produced by microbreweries, regional specialty breweries, brewpubs and contract brewers. The common appeal of these beers is a more robust flavor than the standard domestic beers, and an image based on traditional, European beer styles.

Microbrewery: Originally used to refer to a small brewery producing less than 10,000 barrels a year, which packages and distributes its beers for sale off site. The cut-off volume has since been increased to 15,000 barrels a year. The new breweries that were founded in the late 1970s and early 1980s were the first to be called microbreweries.

Regional Specialty Brewery: A term used to describe those breweries which were founded as microbreweries, but have since outgrown the category, having a capacity to brew between 15,000 and 2,000,000 barrels per year. A new category was needed to distinguish these breweries from the older, established regional breweries. Examples of regional specialty breweries are: Sierra Nevada (Chico, California), Anchor Brewing (San Francisco, California), Rockies Brewing (Boulder, Colorado) and Abita Brewing (Abita Springs, Louisiana).

Brewpub: A brewery that sells its beers exclusively or primarily at its own bar or restaurant. Since the market is restricted to one outlet, brewpubs tend to be quite small (typically in the 500 to 2,000 barrel range). Examples of brewpubs are Zip City (New York, New York), Crescent City Brewhouse (New Orleans, Louisiana), Wynkoop (Denver, Colorado) and Commonwealth (Boston, Massachusetts).

Contract Brewer: A company that does not have its own brewery but rather markets beer produced "under contract" by an existing (usually regional) brewery. Examples of contract brewers are Pete's Brewing Company and Neuweiler.

Hard Cider: A fermented apple cider with an alcohol content between 7 and 14 percent.

Draft Cider: A fermented apple cider with an alcohol content of less than 7 percent.

Development of Craft-Brewing Industry Fritz Maytag bought and revived the failing Anchor Brewery in San Francisco in 1965 and is considered the grandfather of the microbrewing movement. However, it wasn't until the late 1970s and early 1980s that the first new microbreweries opened in the U.S., such as New Albion, Redhook, Yakima Brewing & Malting and Sierra Nevada on the West Coast and Newman Brewing Co. (Albany, New York) on the East Coast. By 1983, there were 11 operating microbreweries in the U.S., which were defined as breweries producing less than 10,000 barrels per year (although all were much smaller in 1983). At least one of these (Buffalo Bill's Brewery, Hayward, California) was a brewpub. In the early to mid 1980s, the first contract brewers appeared.

What all of the craft-brewed beers have in common is an appeal based on traditional, highly flavored European beer styles. They have benefited from their contrast with the products of the major brewers, which are much lighter in body and flavor. We believe they also were helped by an increasing concern by consumers about how alcoholic beverages fit into a healthy, active, contemporary lifestyle. Like fine wines, we believe that consumers view craft-brewed beers as beverages of moderation.

Craft Beer Industry Segment

Craft beers are characterized by their full-flavor and are usually produced along traditional European brewing styles. The majority of craft beers are ales, although some are malt lagers. Wheat beers and fruit flavoured ales and lagers have enjoyed recent popularity among craft beer consumers.

The craft beer category consists of:

* *Contract brews* - any style brew produced by one brewer for sale under the label of someone else who does not have a brewery or whose brewery does not have sufficient capacity.

* *Regional craft brews* - "hand-crafted" brews, primarily ales, sold under the label of the brewery that produced it.

* *Microbrews* - "hand-crafted" brews, primarily ales, sold under the label of the brewery that produced it, if the capacity of the brewery does not exceed 15,000 bbl. per year.

* *Large brewer craft-style brews* - a brand brewed by a national brewer which may only imitate the style of a craft beer. These craft-style brews are often sold under the label of a brewery that does not exist or the label of a brewpub with no bottling capacity. The term "phantom brewery" is sometimes used to describe such brands.

* *Brewpub brews* - "hand-crafted" brews produced for sale and consumption at the brewery, which is normally connected with a restaurant/saloon. Brewpub brews are not normally sold for off-site consumption in significant quantities.

In 2007, U.S. craft beer industry annual retail sales reached 8,011,141 million barrels, having a total retail value of $5.7 billion. That 2007 production volume was divided into the following categories:

	Volume (barrels)	Percent
Regional specialty breweries	5,033,826	62.83%
Contract breweries	1,290,204	16.10%
Microbreweries	967,237	12.07%
Brewpubs	719,874	9%

See *Beertown*, www.beertown.org

According to *Beertown*, a trade publication, as of December 2007, there were a total of 1,449 breweries operating in the United States, consisting of:

54 Regional Craft Breweries
377 Microbreweries
975 Brewpubs
20 Large breweries
23 Regional breweries

Business Strategy

Our business objective is to become recognized as the premier organic craft brewer in the United States. It is our objective to produce the finest quality organic craft beers and to market them strategically in niche markets to capitalize on our dedication to the use of organic ingredients, which we consider to be our principal differentiator and competitive advantage.

Our business strategy includes the following key objectives:

* Further develop our existing facility and position as a leading organic ale producer;
* Develop new brands utilizing the existing facility;
* Produce on a contract basis for other craft brewers, where capacity permits; and

* Develop Key Performance Indicators to better monitor and manage our business

Products

Butte Creek primarily produces a variety of distinctive certified organic craft beers ranging in color from light to dark. Most of our beers are certified organic: Organic Pale Ale, Organic Pilsner, Organic Porter and Organic India Pale Ale, Revolution X® and Revolution 11 Organic Imperial IPA's, Trainwreck Organic Barley Wine, Spring Run™ Organic Pale Ale, Organic Helltown Hefeweizen, Sustainable Harvest Organic (Fresh Hop) IPA, and Mateveza. Beginning in March, 2008, we also began shipping a new organic brand under the name "Blue Marble Organic Pilsner™". In making these products, we adhere strictly to the National Organic Program of the United States Department of Agriculture pursuant to which our beers are certified as organic by independent accredited certifiers. All of our beer is

made from four traditional ingredients: water, hops, yeast and malted barley. Each beer exhibits unique properties of color, richness, bitterness and aroma, creating a special signature for each beer. In order to maintain full flavor, our beer is not pasteurized or homogenized. We never use adjuncts in substitute for all grain.

We currently produce the following principal organic brands, each with its own distinctive combination of flavor, color and clarity:

*	Organic Pale Ale	A medium bodied Ale with a hint of caramel sweetness complemented by a generous hop flavor and aroma.
*	Organic Porter	A porter with a full bodied malty flavor balanced with a crisp hop bitterness.
*	Organic India Pale Ale	A full-flavored traditional India Pale Ale.

*	Organic Pilsner	A European-style pilsner that is brewed with German malt and Czech hops to make it a light bodied, clean, straw-colored beer with a refreshing crisp finish.
*	*Organic Helltown Hefeweizen (seasonal)*	A Bavarian style wheat beer with a cloudy pale golden color and a thick, creamy white head.
*	Sustainable Harvest(Fresh Hop) India Pale Ale (seasonal)	Brewed with freshly picked wet hops, this IPA has grassy,floral & citrus notes from the use of freshly harvested, unprocessed hops.
*	Organic Spring Run® Pale Ale (seasonal)	A pale ale that is more-balanced and lighter in color than our Organic Pale Ale
*	Revolution X®	An Organic Imperial IPA
*	Revolution 11	An Organic Imperial IPA or commonly referred to as a double IPA.
*	Trainwreck	An Organic Barley Wine
*	Mateveza	An Organic Pale Ale brewed with Yerba Mate
*	Blue Marble Organic Pilsner™	An Organic Pilsner with lighter color and alcohol content than our Organic Pilsner.

In addition to our current craft brews, we are constantly developing new products in order to be responsive to changing customer tastes. We believe that our continued success will be affected by our ability to be innovative and attentive to consumer desires while maintaining consistently high product quality.

BREWING OPERATIONS

The Brewing Process

Beer is produced from four main ingredients: malt, hops, yeast and water. Malt, the main ingredient of beer, is produced when barley is moistened, allowed to germinate and then dried. The malted barley is then crushed and mixed with hot water and strained, producing a clear amber liquid called "wort". Wort is boiled in the brew kettle and hops are added which add bitterness and variety to the brew. The mixture is then strained and placed in a fermentation vessel where yeast is added and the beer is allowed to ferment. During fermentation, yeast metabolizes the sugars in the wort and produces alcohol and carbon dioxide.

Upon completion of fermentation, the beer is then transferred to aging tanks where the flavor is developed and matured. The brewing process, from the conversion of raw materials to the serving of beer, is typically completed in 14 to 28 days, depending on the type of beer being brewed. The production schedule for all of our ale products requires a fourteen (14) day cycle. Our lager products requires a twenty-eight (28) day cycle, from brewing through filtration and packaging. The production cycle includes the following steps:

* Day 1. Mashing. Weighed amounts of milled, malted barley, a cereal grain that provides the body and color to the beer, are mixed and steeped with hot water in a Mash Tun. This serves to extract fermentable and non-fermentable sugars, thus creating a mash. At the end of the mashing process, the sweet, fermentable liquid from the mash, called wort, is run off through screened plates and then transferred into the brew kettle. While the wort is running off, the grain is sprayed with hot water again, a process called "sparing". (This is a process similar to making coffee.)

Once the wort run off is completed, the spent grains are given to local farmers for cattle feed or to local mushroom growers.

* Day 1. Brewing. When the sweet liquid wort transfer is completed, we start the boil, then add fresh hops that provide bitterness and aroma, thus creating the balance and flavor of our beer.

* Day 1. Clarification. After approximately an hour and one half of boiling, the wort and the spent hops are transferred into a whirlpool. A centrifugal force is created inside the vessel during whirlpooling. This force separates the malt proteins and the spent hops from the wort.

* Day 1. Cooling. The wort is pumped from the whirlpool through a heat exchanger which rapidly cools the wort. The cool wort is transferred into a fermenter.

* Day 1. Inoculation. Pure culture lager yeast or ale yeast is added to the wort in the fermenter and the tank is closed up.

* Days 2-7. Fermentation. Within three to five days, the yeast has metabolized and utilized the sugars from the wort, creating alcohol and carbon dioxide. Our ales are made with a top fermenting ale strain that actually floats to the top of the fermenter. Our lagers are made with a bottom fermenting lager strain that settles during fermentation.

When the yeast completely settles it is collected from the tank and used in the next lager or ale brew cycle.

* Days 5-27. Cooling and Conditioning. At the end of the fermentation cycle, our beer is cooled from its fermentation temperature (between 65-70-F for ales and 58-55-F for lagers) to 32- Fahrenheit. Beer flavors mature during this stage. Our beer is then stored for seven to fourteen days. Isinglass finings are added to aid in the clarification process.

* Day 14. Filtration for Ales. While under pressure, the beer is transferred through cellulose sheets in a Filter Press in order to remove protein haze and yeast while stabilizing and clarifying the beer. The beer is transferred from the Filter Press into a Serving Tank which is counter pressured, for service directly to draft taps at each bar.

* Day 28. Filtration for Pilsners. Our pilsner beer remains in the Cellar Tank for an additional fourteen days of fermentation. It is then processed in the same manner as our ale.

Our Brewing Facility

Our Chico, California brewery produced approximately 7,500 barrels of craft beer in 2007. Our current capacity is 8,100 gross barrels a year.

Bottled products utilize the latest technology in bottle crowns that prevent oxygen from causing deterioration of the beer's fresh taste. Our beer is naturally carbonated and pasteurized to ensure the customers enjoy the full fresh flavour. The shelf life of our bottled beer is 120 days and the shelf life of our keg beer is 90 days.

Ingredients and Raw Materials

In order to be certified as organic under the National Organic Program of the USDA, our craft beers must have no more than 5% non-organic ingredients in the finished product. We use only the finest, all natural and certified organic ingredients available to brew our products whenever possible.

There are many different varieties of hops which are used in the production of beers. The selection of particular varieties of hops influences the bitterness and aroma of the finished product. The selection of hops in any particular recipe contributes to the final signature of the microbrew.

Not all hops are available organically-grown. In fact, in the United States, only one type of hop is organically grown; and all other organically-grown hops must be purchased from international sources, primarily New Zealand.

For microbrews whose recipes call for hops that are not available organically, those products can still be manufactured and marketed as "organic," since hops comprise less than 5% of the finished product. Nevertheless, there is intense competition for organically-grown hops, and quantities are limited.

Our Organic ales and lagers use some non-organic hops but are nevertheless marketed as organic microbrews. Our principal competitors in the organic microbrew market: Wolavers and Eel River Brewing Company, also use non-organic hops. Anheuser-Busch (A-B) introduced two certified organic beers in 2006 and has substantially more resources and distribution channels than any of our historical competitors. We don't believe that A-B uses any organic hops. Miller Brewing Company released Henry Weinhard s Organic Amber Premium Ale in 2007. We estimate that there are at least 25 breweries selling beer as certified organic. Our principal hops suppliers are Hopunion and New Zealand Hops Ltd. We have recently secured an agreement to purchase fixed quantities of organic hops from New Zealand Hops Ltd. The agreements commit us to purchase and New Zealand Hops, Ltd. to sell to us defined quantities of organic hops during 2008 (2,904 pounds) and 2009 (3,465 pounds). We believe that this arrangement will satisfy all of our organic hops requirements for the next two years. However, we do not have any other contracts or agreements with any of our hops suppliers for ongoing or future deliveries.

We currently obtain our malted barley (grain) from three sources: Gambrinus and Breiss supply our organic barley and Great Western Malting our non-organic barley. We do not have any supply contracts with any of our vendors to meet our grain or hop requirements. As a result, any interruption in our supply of grain or hops could result in a curtailment of our production and loss sales.

We have multiple competitive sources for packing materials, such as bottles, labels, six-pack carriers, crowns and shipping cases, as well as kegs. Purchases of bottles, six-pack carriers and case boxes from Gamer Packaging and California Glass Company amount to over 40% of the total purchases from all unaffiliated vendors. We have no

affiliated vendors.

Sales and Distribution

We market and sell our craft beers through a network of wholesale distributors supported by a combination of our sales and marketing personnel and third-party brokers in key markets. We currently distribute our products in a total of 35 states.

In each state where our beer is distributed, we must satisfy the state's regulatory requirements for beer sales. Those requirements generally consist of completing an application and paying a distribution fee. Some states also impose product quality standards which must be met as a condition to distribution. We have not experienced any difficulties in obtaining approvals to distribute in states where we have sought that approval.

Wholesale distributors sell our products to supermarkets, warehouse stores, liquor stores, taverns and bars, restaurants and convenience stores. Most of our brands are also available on draft' and these are delivered directly to retail outlets. Our independent distributors also distribute a variety of other alcoholic beverages, including other craft beers, import beers and national beer brands. We rely on our distributors not only to provide product sales and deliveries but also to maintain retail shelf space and to oversee timely rotation of inventory. Favorable consumer demand for microbrewed products and higher profit margins are the two primary factors that contribute to strong interest from distributors in handling our regional microbrewed products. Our success is dependent upon our ability to maintain and develop our third party distributor, bar and restaurant accounts.

We have written distribution agreements with all of our wholesale distributors; however, the agreements are all terminable upon 30 days' written notice and provide no reliable assurance of future performance.

Sales are distributed widely over our customer base with only three large customers comprising a significant portion of sales. For the year ending December 31, 2007, Bison Brewing, Mountain People s Warehouse and Craft Brewer s Distributing were responsible for 15.39%, 14.36% and 12.14% respectively. An allowance for bad debt has been made against some of our accounts receivable due from Craft Brewer s Distributing.

Strategic Brewing Relationships

Mateveza USA, LLC

In November, 2006, we entered into a License, Production and Distribution Agreement with Mateveza USA, LLC, a California limited liability company (Mateveza). Under the terms of the Mateveza Agreement, we have been granted an exclusive license to manufacture, sell and distribute Mateveza s proprietary yerba mate ales within an exclusive territory consisting of the states of California, Oregon, and Washington. Under the terms of the arrangement, we have agreed to advance production costs and sell under a jointly-developed marketing plan. We have further agreed to pay Mateveza a royalty equal to fifty percent of the net profits generated from the sale of the Mateveza yerba mate ales. We have agreed to maintain a minimum manufacturing capacity of 1,000 barrels per year, and have a right of first refusal with respect to any required capacity in excess of that amount.

This agreement was terminated in February of 2008 by mutual agreement. A contract brewing agreement is currently being discussed with Mateveza USA, LLC to maintain production of this brand.

Bison Brewing Company

In February, 2007, we entered into a Production Agreement with Bison Brewing Company, LLC (Bison Brewing). Under this Agreement, we will be a contract brewer for Bison Brewing s craft beers. In consideration of our contract brewing, Bison has agreed to pay all direct production costs,

including materials, bottling and labor and to share general and administrative expenses of the brewery.

Marketing

Our marketing efforts are focused on bars, restaurants, grocery stores and retailers of premium beer products in order to obtain shelf and tap space. This is accomplished by intensive one-on-one contact to familiarize our customers thoroughly with our products and our commitment to service. The microbrewers' market is not for the masses but rather it is focused on customers searching for a flavor that is superior and in some cases unique.

We have designed slogans, logos and trade names for use in print advertising. To create additional name recognition and customer identification, we plan to sell T-shirts, sweatshirts and other merchandise featuring our name and logo. Distributors and package store locations are provided with point-of-purchase cards, banners, static stickers and shelf channels as funds permit.

Sales of beer in general are seasonal in nature and are at their highest level in the second and third calendar quarters and at their lowest in the first and fourth calendar quarters. This seasonality has historically had a significant impact on our operations on a quarter-to-quarter basis.

Dependence on Major Customers

During 2007 and 2006, wholesale distributors were responsible for 73.2% and 68.9% of our sales, respectively. Two distributors (Mountain People's Warehouse and Craft Brewer s Distributing) accounted for 26.5% of our sales for 2007. In addition, we have one customer, Bison Brewing Company, that accounts for 29.75% of our business. An allowance for bad debt has been made against some of our accounts receivable due from Craft Brewer s Distributing. We have no long-term commitments or agreements from any of our distributors or customers. Our distributors can terminate their agreements with us on 30 days' notice. The loss of a major distributor or customer could severely impair our sales for a significant period of time.

Competition

As of December 1, 2007, there were a total of 1,449 breweries that included 975 brew pubs, 377 microbreweries, 54 regional craft breweries and 20 large breweries. During 2007, 23 brew pubs and 17 microbreweries closed, but 44 brew pubs, 38 microbreweries opened, and 1 regional and 1 large brewery opened.

We compete with other craft brewers on the basis of product quality and freshness, packaging design, distribution, marketing support and regional identification. The beer industry in general and the craft brewing segment in particular is highly competitive and we experience stiff competition and expect that competition to increase in the future. Our products compete with products from large and small domestic and foreign breweries and from and increasing number of regional specialty breweries, microbreweries, brew pubs and contract brewers. Many of these competing breweries, including some existing microbreweries, have significantly greater financial, production, distribution and marketing resources than ours.

Our principal competitors in the organic microbrew market are Wolavers and Eel River Brewing Company. As both are privately held, there is little information available concerning their relative financial strength and resources. Anheuser-Busch (A-B) introduced two certified organic beers in 2006 and has substantially more resources and distribution channels than any of our historical competitors. Miller Brewing Company released Henry Weinhard s Organic Amber Premium Ale in 2007. We estimate that there are at least 25 breweries nationwide selling beer as certified organic.

In addition, we contract microbrew for Bison Brewing Company, of Berkeley, California under a production sharing agreement executed in February 2007. The beers that we make for Bison are certified organic, although it too uses some non-organic hops. Bison Brewing has a California Department of Alcohol Beverage Control license at our facility as part of this contract brewing arrangement. Bison represented approximately 29.75% of gross revenues in 2007, and 8% of revenues in 2006. We cannot predict the extent to which Bison production will contribute to our overall revenues in the future.

Governmental Regulation

The Company's United States operations are subject to licensing by both state and federal governments, as well as to regulation by a variety of state and local governments and agencies. The Company is licensed to manufacture and sell beer by the Department of Alcoholic Beverage Control in California. Our license issued by California does not permit us to engage in retail sales to consumers on the premises. A federal permit from the United States Bureau of Alcohol, Tobacco Tax and Trade (TTB) allows the Company to manufacture fermented malt beverages. To keep these licenses and permits in force, the Company must pay annual fees and submit timely production reports and excise tax returns. Prompt notice of any changes in the operations, ownership, management or company structure must also be made to these regulatory agencies. BATF must also approve all product labels, which must include and alcohol use warning. These agencies require that individuals owning equity securities in the aggregate of 10% or more in the Company be investigated as to their suitability. The Company's production operations must also comply with the Occupational Safety and Health Administrations' workplace safety and worker health regulations and comparable state laws. Management believes that the Company is presently in compliance with the aforementioned laws and regulations.

In the United States, taxation of alcohol has increased significantly in recent years. Currently, the federal tax rate is $7.00 per bbl. for up to 60,000 bbl. per year and $18.00 per bbl. for over 60,000 bbl. The California tax rate is $6.20 per bbl. Federal and state excise taxes on alcoholic beverages are subject to change. It is possible that excise taxes will be increased in the future by both the federal government and State of California. In addition, increased excise taxes on alcoholic beverages have in the past been considered in connection with various governmental budget balancing or funding proposals. Any such increased in excise taxes, if enacted, could adversely affect our business. We believe that we currently have all licenses, permits and approvals necessary for our current operations. However, existing permits or licenses could be revoked if we were to fail to comply with the terms of such permits or licenses, and additional permits or licenses could in the future be required for our existing or expanded operations. If licenses, permits or approvals necessary for our brewery were unavailable or unduly delayed, or if any such permits or licenses were revoked, our ability to conduct our business could be substantially and adversely affected.

Various federal and state labor laws govern our relationship with our employees, including minimum wage requirements, overtime, working conditions and immigration requirements.

Significant additional government-imposed increased in minimum wages, paid leaves of absence and mandated health benefits, or increased tax reporting and tax payment requirements for employees could have an adverse effect on our results of operations.

On March 15, 2006, we were notified that the California Department of Alcoholic Beverage Control had filed an Accusation alleging that we had violated California regulations by participating in a beer tasting at the Mt. Shasta Board & Ski Park, not sponsored by a non-profit. As a result, we entered into a consent sanction consisting of a temporary suspension of ten days of our manufacturing license which was automatically stayed.

Research and Development

During the last two fiscal years we have not expended any working capital on product research and development.

Compliance with Environmental Laws

We are subject to various federal, state and local environmental laws which regulate the use, storage, handling and disposal of various substances.

Our waste products consist of water, spent grains, hops, glass and cardboard. We have instituted a recycling program for our office paper, newspapers, magazines, glass and cardboard at minimal cost to us. We sell or give away our spent grain to local cattle ranchers. We have not purchased any special equipment and do not incur any identifiable fees in connection with our environmental compliance.

The Chico facility is subject to various federal, state and local environmental laws which regulate use, storage and disposal of various materials. The Company pays approximately $1,427 per month towards sewer fees for liquid waste. The sewer discharge from the brewery is monitored and is within the standards set by the Butte County Sewer Department.

Various states in which the Company sells its products in the U.S., including California, have adopted certain restrictive packaging laws and regulations for beverages that require deposits on packages. The Company continues to do business in these states, and such laws have not had a significant effect on the Company's sales. The adoption of similar legislation by Congress or a substantial number of states or additional local jurisdictions might require the Company to incur significant capital expenditures to comply.

Employees and Consultants

As of May 1, 2008, we had a total of 24 employees, 7 of whom were full time and 17 of whom were part-time. The full time employees include Larry Berlin, master brewer, Scott Burchell, National Sales Director and one administration person and four brewers. Our part time employees are involved in brewing and administration. Our former General Manager, Tom Atmore, tendered his resignation as general manager effective March 31, 2006; and continued as a consultant until June 30, 2006. Atmore continues to accrue $1,000 under the terms of his separation and consulting agreement.

We do not maintain key man life insurance on any of our employees.

Effective February 21, 2007, our wholly-owned subsidiary entered into an Employment Agreement with Daniel Del Grande, the Manager of Bison Brewing, to serve as Chief Financial Officer of the subsidiary for the period beginning February 21, 2007 and ending the earlier of (i) February 20, 2009 or (ii) the termination of the Production Agreement with Bison Brewing Company, LLC.

Effective December 1, 2007, we entered into an employment agreement with Mark Simpson to serve as President of the Company on a part-time basis. In consideration of his services as President, the Company agreed to grant and issue to Mr. Simpson, subject to vesting, an aggregate of 13,000 shares of the Company s common stock.

Concurrently with the execution of Mr. Simpson s employment agreement, the Company entered into a consultation agreement with Artisan Food and Beverage Group, Inc., (Artisan), a consulting firm controlled by Mark Simpson. Under the terms of the consulting agreement, Artisan agreed to provide certain strategic consulting services in consideration of a consulting fee equal to $4,500 per month.

Trademarks and Intellectual Property

We consider all of our beer recipes to be trade secrets which we protect by confidentiality and non-disclosure agreements.

We claim common law trademark protection to all of our trademarks, words and design. However, we have applied for federal registrations of certain brand names that are in the development stage but have not sought any protection for our existing brand names except for Revolution X® and Spring Run® which is used under license from a 3rd party. In addition, our service marks Organic Pioneers®and The Official Beer of Planet Earth®. In addition, we have filed an application to register the trademark for Blue Marble Organic Pilsner™ which is currently pending.

In addition to the domain name www.ales.com, we have registered the domain name www.organicale.com and www.buttecreek.com. Both domain addresses link to the same website. We believe that our domain name plays an important role in expanding the awareness of our products on the Internet.

Notwithstanding our efforts to develop and protect our intellectual property rights, trademark protection and the uncertainty surrounding the legal protections of domain names may be unenforceable or limited. As a result, we may not be able to maintain our current trademarks or domain name if they are subject to challenge. We believe that any successful challenge to our use of a trademark or our domain name could have a material adverse impact upon our business, financial condition and future operations.

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ITEM 2. DESCRIPTION OF PROPERTY

Corporate Offices

Our executive offices and main brewery are located at 945 West 2nd Street, Chico, California. The entire building consists of approximately 8,280 square feet, of which 1,000 square feet is used for executive offices, 7,280 square feet for our brewery, bottling, shipping and storage. The property is an industrial building which we lease from a member of Butte Creek Brewing, LLC the entity in which we acquired our business in 2005. The lease has a term of five years, expiring in 2010, and provides for monthly rental for the first year of $3,312 per month. In July 2006, the rent increased to $3,726 and is subject to an annual adjustment based upon the increase in the Consumer Price Index. There was no CPI adjustment made in 2007. We believe that our ability to occupy the present facility under the existing lease is secure and that the facilities are adequate for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings in which either we or any of our affiliates are involved which could have a material adverse effect on our business, financial condition or future operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our outstanding shares of Common Stock have traded over-the-counter and quoted on the OTC Bulletin Board (OTCBB) under the symbol GWBC since January 1, 2007. The reported high and low bid and ask prices for the common stock are shown below for the period from January 1, 2007 through March 31, 2008.

		Bid		Ask	
		High	Low	High	Low
2007 Fiscal Year					
Jan	Dec 2007	$1.00	$0.35	$1.10	$0.45
2008 Fiscal Year					
Jan	March 2008	$0.75	$0.52	$0.85	$0.55

The bid and ask prices of the Company s common stock as of May 2, 2008 were $0.45 and $0.55, respectively, as reported on the OTCBB. The OTCBB prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions. As of May 2, 2008, there were approximately 46 record owners of the Company s common stock.

The OTC Bulletin Board is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCBB is not an issuer listing service, market or exchange. Although the OTCBB does not have any listing requirements, per se, to be eligible for quotation on the OTCBB issuers must remain current in their filings with the SEC or applicable regulatory authority.

The Company s Board of Directors may declare and pay dividends on outstanding shares of common stock out of funds legally available therefore in its sole discretion; however, to date, no dividends have been paid on common stock and the Company does not anticipate the payment of dividends in the foreseeable future.

Trading in our common stock is subject to rules adopted by the Commission regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to penny stocks require a broker dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission. That disclosure document advises an investor that investment in penny stocks can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in penny stocks, to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special

written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

Recent Sales of Unregistered Securities

1. In January 2005, we issued to two investors an aggregate of 120,000 shares of common stock in consideration of $22,500 in cash and services valued at $7,500. The investors were John Power and Clifford Neuman, who accepted shares for legal services rendered to the Company. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

2. Effective August 31, 2005, we issued to Butte Creek Brewing Company, LLC an aggregate of 200,000 shares of common stock in partial consideration of the assets of Butte Creek. Butte Creek executed a subscription agreement acknowledging that it was capable of evaluating the merits and risks of accepting the shares as partial consideration under the Asset Purchase and Sale Agreement. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

3. In December 2005, we issued to three investors an aggregate of 180,000 shares of common stock in consideration of $20,000 in conversion of advances receivable and services valued at $25,000. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

Based upon the above transaction, it is possible that it could be determined that we violated Section 5 of the Securities Act of 1933. Section 5(a) of the Securities Act prohibits the use of any means or instruments of transportation or communication in interstate commerce or of the mails, to sell a security unless a registration statement is in effect as to such security. Section 5(c) of the Securities Act prohibits the use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy a security unless a registration statement has been filed as to such security. While we relied upon the exemption from the registration requirements of the Securities Act contained in Section 4(2), which exempts transactions not involving

a public offering, those transactions occurred after this registration statement had been filed with the Securities and Exchange Commission. If that transaction is deemed integrated with the offering covered by this registration statement, which we would dispute, then a Section 5 violation could be found. We are not aware of any pending claims for sanctions against us based upon Section 5 of the Securities Act, and we would vigorously defend any such claims if they arise. However, in our

financial statements we have classified the advance payable at September 30, 2005 in the amount of $10,000 as being subject to rescission.

4. Effective August 21, 2006, in consideration of their services to the Company, certain consultants, employees, officers and directors were granted non-qualified stock options exercisable to purchase, in the aggregate 400,000 shares of common stock at an exercise price of $0.50 per share. The foregoing options are exercisable until December 31, 2012, their Expiration Date . The foregoing options are subject to vesting and become exercisable 50% on the date of grant; 16.67% on July 31, 2007; 16.67% on July 31, 2008; and 16.67% on July 31, 2009, subject to the holder continuing to serve in their positions with the Company, or in some other capacity as shall be approved by the Company and the holder, on each vesting date. The options were granted to five persons who serve as directors, employees or consultants to the Company. One of the recipients subsequently resigned as a Director and forfeited 50,000 options. Presently, there are 350,000 options outstanding that are 66.67% vested. The shares issuable upon exercise of the options will be restricted securities within the meaning of Rule 144 under the Securities Act of 1933, as amended. The Company paid no fees or commissions in connection with the issuance of the options.

5. On March 15, 2007, we completed the private placement of units, each unit consisting of one share of the Company s Common Stock (Common Stock) and one Warrant exercisable to purchase one additional share of Common Stock at an exercise price of $0.40 per share for a period of two years from the date of issue (Warrants). Collectively, the Common Stock and Warrants are, hereinafter, referred to as Units . The private offering price was $0.35 per Unit. In total, we have sold 400,000 units. Gross proceeds of the offering were $140,000 which proceeds were used for working capital. The units were sold to a total of three (3) investors, each of whom qualify as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the Securities Act). The units, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) of the Securities Act and Regulation D, Rule 506 thereunder. In the offering, the Company paid no fees or commissions to persons who served as placement agents.

6. On July 9, 2007, the Company completed the sale of an aggregate of 282,000 shares of common stock for total consideration of $93,060, or $0.33 per share. Of the total consideration, $73,260 was in cash, and $19,800 was in satisfaction of an outstanding account payable to the Company s legal counsel. The shares were sold to a total of three investors, each of whom qualifies as an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The proceeds of the offering were used for working capital. The shares were acquired for investment purposes and subject to restrictions on transfer, and were sold without registration under the Securities Act in reliance upon Section 4(2) of the Securities Act and Regulation D, Rule 506 thereunder. In the offering, the Company paid no fees or commissions.

7 Effective September 4, 2007, the Company issued an aggregate of 300,000 of Series A Preferred Stock valued at $0.75 per share. The shares of Preferred Stock were issued in satisfaction and conversion of an aggregate of $225,000 in outstanding advances payable which had originally been payable to John C. Power and Power Curve, Inc., but which had been assigned to the two investors, both non-affiliates of the Company. Each of the investors qualified as an an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in

the transaction.

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8. In September, 2007, the Company sold 100,000 shares of common stock to two investors at a price of $0.50 per share. The shares were sold to two investors, each of whom qualified an an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction.

9. Effective September 30, 2007, the Company issued an aggregate of 15,000 shares of common stock in satisfaction of an uncollateralized advance payable to a non-affiliate in the amount of $9,975, principal and interest. The shares were issued to one person who qualified as an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction.

10. On December 1, 2007, we agreed to issue an aggregate of 13,000 shares of common stock under our employment agreement with our President, Mark Simpson. The shares will be issued as compensation for services. As President of the Company, Mr. Simpson qualified as an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction. Effective March 31, 2008, 4,000 of these shares were issued for the period of December 2007 through March 31, 2008.

11. Effective December 11, 2007, the Company entered into a Credit Agreement whereby the Company was extended a credit facility by certain individuals, including two affiliates, in the maximum principal amount of $350,000. Under the Credit Agreement, the Company agreed to pay to the lenders a financing fee in the form of 100 shares of common stock for every $1,000 in advances made under the Credit Agreement, or up to a total maximum of 35,000 shares. As of the date of this report, the Company has borrowed an aggregate of $240,000 under the Credit Agreement, and has agreed to issue as a result, a total of 24,000 shares of common stock.

Each of the lenders under the Credit Agreement qualified as accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction except as noted.

12. Effective January, 2008, the Company issued its Convertible Debenture in the principal amount of $30,000 to evidence the Company s outstanding, account payable due to its legal counsel. The debenture accrues interest at the rate of 8% per annum and is due and payable, in full, on December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price equal to $0.60 per share, which was at or above the public trading price of the Company s common stock on the date of grant. The debenture was issued to the Company s legal counsel who qualifies as an accredited investors within the meaning of Rule 501(a) of

Regulation D under the Securities Act. The securities, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction.

13. Effective March 12, 2008, the Company issued an aggregate of 5,000 shares of common stock to one investor as a financing fee for a loan to the Company in the principal amount of $50,000. The shares were valued at $0.50 per share. The lender qualified as an accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction except as noted.

14. Effective March 31, 2008, the Company granted and issued an aggregate of 4,000 shares of common stock to the Chief Financial Officer of its wholly-owned subsidiary. The shares were issued for services. The foregoing person qualified as accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	350,000	$0.50	150,000
Equity compensation plans not	0	$0.50	-0-

approved by security holders[1]			
Total	350,000	$0.50	150,000

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operations

Golden West Brewing Company, Inc. (the "Company" or "Golden West") was formed in December 2003 to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC ("Butte Creek" or "Butte"). We are currently a holding company for our wholly-owned subsidiary Golden West Brewing Company, a California corporation, which acquired the assets and certain liabilities of Butte Creek on August 31, 2005. Butte Creek has been operating as a craft brewery in Chico, California since 1996. It specializes in brewing certified organic craft beers.

We face operational challenges as our sales and production levels increase. The following are the key issues and challenges facing the Company:

* Sales. We believe that our minimum level of sales for our operating subsidiary, Butte Creek, to break-even is an average of at least $130,000 per month. Butte Creek has never achieved this level of sales during a month in its history. It is critical for us to improve our sales so that we can achieve at least a break-even operating level. There is no assurance that we will be able to achieve this level of sales, or if we achieve it, that we will be able to maintain it. Our sales enhancement plan is to (a) introduce new products (b) add new sales territories and (c) increase our penetration in existing territories.

* Increase Gross Profit Margin. In addition, our gross profit margin must be increased to at least 30% of sales. Our plan is to take advantage of our increased production capacity and increase our production which should lower our average cost per barrel of beer produced. Also, we are trying to improve our product mix with higher margin products including more draft beer sales. We also are raising our prices for contract brewing. Finally, we raised our prices to certain customers in March 2008 and plan increases to other customers later in 2008. There is no assurance that we will be successful in implementing our plan to increase our gross profit margin. Many of these strategies have contributed to an improvement in our gross profit margin but have been outweighed by negative contributing factors including rising raw material costs, contract brewing increasing as a percentage of total sales, inventory adjustments and shortages.

* Control Selling, General & Administrative Expenses. In addition to raising sales, we must control our expenditures to achieve a break-even operating level

* Working Capital Shortage. Our history of working capital deficiencies make it difficult to build finished inventory. We owe delinquent taxes to the IRS and several State agencies. In addition, we have increased our production capacity and launched new products that will require increased levels of inventory. Finally, our ability to maintain our equipment has been challenging with our shortage of working capital.

* Lack of Marketing Materials. We have very limited marketing budgets and are not competitive with other breweries of our size in the amount and quality of marketing materials needed to support our distribution network.

* Continued Operating Losses. Our history of operating losses makes it difficult to raise capital for our working capital needs. We are developing key performance indicators to better manage and monitor our business in an attempt to reduce our operating losses.

* Lack of Inventory Controls. We need to improve our control and management of our finished inventory to reduce the amount of shrinkage we have experienced due, we believe, to unsupervised employees. We do not believe our lack of inventory control has materially impacted our business. We conduct physical inventories on a monthly basis and recently upgraded our accounting software to improve our inventory control. If these measures do not provide improved inventory controls, we would expect our margins to erode and our sales to decline.

  We are considering outsourcing the location of our physical inventory or hiring a full-time warehouse person. Either solution would be intended to reduce inventory shortages and provide stronger inventory controls.

Both Golden West and Butte Creek have sustained losses from operations. Golden West has a working capital deficit which raises substantial doubts about their ability to continue as a going concern. Our audited financial statements have received going concern qualifications from our Independent Registered Public Accounting Firm.

The following discussion and analysis is for the twelve-month period ended December 31, 2007 and should be read in conjunction with the Notes thereto of Golden West Brewing Company, Inc. We were a development stage entity prior to our acquisition of Butte Creek on August 31, 2005.

Possible Section 5 Violation

It is possible that it may be determined that we violated Section 5 of the Securities Act. Section 5 of the Securities Act prohibits the use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell a security unless a registration statement is in effect as to such security. Section 5(c) of the Securities Act prohibits the use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy a security unless a registration statement has been filed as to such security.

The transaction that may have caused such a violation of Section 5 is as follows: In December, 2004, we made the initial filing of our registration statement. In June 2005, an unaffiliated third-party, Bob Vogt, loaned us the sum of $10,000. The loan was unsecured and undocumented. It was our intention to repay the loan in a short period of time; however, we were unable to do so due to our lack of working capital. In December 2005, in an effort to improve our balance sheet, we offered Mr. Vogt an opportunity to convert his $10,000 loan into shares of our common stock. In December 2005, we effected the conversion of Mr. Vogt's loan into shares of our common stock in a transaction in which

we relied upon an exemption from the registration requirements of the Securities Act contained in Section 4(2), which exempts transactions not involving a public offering.

Under the principals of integration, two or more offerings of securities may be integrated and deemed to be one offering under certain circumstances. Factors considered in determining whether offers and sales of securities should be integrated are:

* Whether the sales are part of a single plan of financing;
* Whether the sales involve the issuance of the same class of securities;
* Whether the sales have been made at or about the same time;
* Whether the same type of consideration is being received; and,
* Whether the sales were made for the same general purpose.

If it were to be determined that the conversion of Mr. Vogt's note payable into shares of common stock is integrated with the offering covered by the registration statement and this prospectus, then we could not rely upon the exemption contained in Section 4(2) of the Securities Act for the Vogt conversion, and as a result, it may be determined that the conversion of the Vogt loan into shares of common stock constituted a violation of Section 5 of the Securities Act. If this were to occur, we would become subject to remedial actions, which would include the payment of disgorgement, pre-judgment interest and civil or criminal penalties pursuant to Sections 12(a)(1), 8A and 24 of the Securities Act. We are not aware of any pending claims for sanctions against us based upon a Section 5 violation and we intend to vigorously defend any such claim should it arise. We could face possible civil penalties in an undetermined amount. This could have a significant impact on our working capital and impair our ability to continue as a going concern.

Furthermore, any claim for rescission would make it difficult for us to raise additional debt or equity financing needed to run our business, and would not be viewed favorably by analysts or investors.

Critical Accounting Policies and Estimates

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. Our financial statements are based upon a number of significant estimates, the allowance for doubtful accounts, obsolescence of inventories and the estimated useful lives selected for property and equipment. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

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Overview - Factors Affecting Results of Operations

Sales in the craft beer industry generally reflect a degree of seasonality, with the first and fourth quarters historically being the slowest and the rest of the year typically demonstrating stronger sales. We have historically operated with little or no backlog and, therefore, our ability to predict sales for future periods is limited.

Our sales are affected by several factors, including consumer demand, price discounting and competitive considerations. We compete in the craft brewing market as well as in the much larger specialty beer market, which encompasses producers of import beers, major national brewers that produce fuller-flavored products, and large spirit companies and national brewers that produce flavored alcohol beverages. Beyond the beer market, craft brewers also face competition from producers of wines and spirits. The craft beer segment is highly competitive due to the proliferation of small craft brewers, including contract brewers, and the large number of products offered by such brewers. Imported products from foreign brewers have enjoyed resurgence in demand since the mid-1990s. Certain national domestic brewers have also sought to appeal to this growing demand for craft beers by producing their own fuller-flavored products.. The wine and spirits market has experienced a surge in the past several years, attributable to competitive pricing, increased merchandising, and increased consumer interest in spirits. Because the number of participants and number of different products offered in this segment have increased significantly in the past ten years, the competition for bottled product placements and especially for draft beer placements has intensified.

Operating and Financial Review and Prospects

Operating Results

For the year ended December 31, 2007 compared to the year ended December 31, 2006:

REVENUES. Gross Revenues were $1,253,485 for the year ended December 31, 2007. Revenues net of excise taxes (Net Revenues) for the fiscal year ended December 31, 2007 were $1,204,291 compared to $983,975 in the fiscal year ended December 31, 2006.

COST OF GOODS SOLD Cost of goods sold for fiscal 2007 was $983,584 or 81.67% of net revenues compared to $724,746 or 73.65% of net sales in fiscal 2006. In 2007, we were unable to raise the price of our core brands as fast as our COGS increased. The average selling price per unit of our 6-pack brands grew 5%, while COGS increased 9%; the average selling price per unit of our 22 ounce brands grew ¼ of 1% while COGS increased 17%.

GROSS PROFIT Gross profit for the year ended December 31, 2007 was $220,707 or 18.33% of net revenues compared to $259,229 or 26.35% of net revenues for the year ended December 31, 2006.

OPERATING EXPENSES Total operating expenses increased $230,933 or 30% to $1,007,083 for the fiscal year ended December 31, 2007 compared to an increase of $555,021 or 257% to $770,888 for of the fiscal year ended December 31, 2006. Components of operating expenses were:

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* Depreciation & Amortization expense was $38,791 for fiscal year 2007 compared to $33,454 for fiscal 2006. The increase was the result of additional brewing equipment acquired in 2007.
* Management compensation was $119,737 for the year ended December 31, 2007 compared to $84,307 for the year ended December 31, 2006. The increase was related to adding a Chief Financial Officer in the first quarter of 2007.
* Rent expense was $45,085 for the year ended December 31, 2007 compared to $41,256 for the year ended December 31, 2006. The increase was relative to our lease agreement on the brewing facility in Chico, CA.
* Selling expense was $124,857 for the fiscal year ended December 31, 2007 compared to $123,539 for the fiscal year ended December 31, 2006.
* Legal and Accounting expense was $94,841 for the fiscal year ended December 31, 2007 compared to $120,340 for the fiscal year ended December 31, 2006. The decrease was the result of reduced legal expenses after the completion of our self-underwritten public offering.
* Stock Based Compensation was $37,866 for the year ended December 31, 2007 compared to $91,086 in the prior fiscal year. The decrease was the result of accelerated vesting of employee options in fiscal year 2006.
* Stockholder relations was $162,095 for the year ended December 31, 2007 compared to $7,700 for year ended December 31, 2006. The increase was due to the costs associated with the contracting of an outside stock promotion organization.
* Other General & Administrative Operating Expenses increased $114,585 to $383,791 for the year ended December 31, 2007 compared to an increase of $194,272 to $269,206 for year ended December 31, 2006.

OPERATING LOSS. The operating loss for the fiscal year ended December 31, 2007 increased $274,717 or 54% to $786,376 compared to an increase of $395,614 or 341% to $511,659 for the fiscal year ended December 31, 2006. The increased loss was due primarily to a lower gross profit and the costs associated with the contracting of an outside investor relationsorganization.

OTHER INCOME & EXPENSE Net other income and expense was $215,187 for the fiscal year ended December 31, 2007 compared to $517,952 for the fiscal year ended December 31, 2006. The decrease is due in part to the impairment to Goodwill of $472,503 in 2006

NET LOSS Net loss decreased $28,047 or 3% to $1,001,563 for the fiscal year ended December 31, 2007 compared to $1,029,611 for the fiscal year ended December 31, 2006. Although our operating loss was larger than the previous year due to the decline in gross profit, the net loss decreased primarily due to the impairment to Goodwill of $472,503 expense in 2006 that was zero in 2007.

Liquidity and Capital Resources

We have required capital principally for the purchase of Butte Creek and the funding of operating losses and working capital. To date, we have financed our capital requirements through the sale of equity and short and long-term borrowings primarily from related parties. We expect to meet our future financing needs and working capital and capital expenditure requirements through cash on hand, borrowings and offerings of debt or equity securities, although there can be no assurance that our future financing efforts will be successful. The terms of future financings could be highly dilutive to existing shareholders.

We have no commitments, understandings or arrangements for any additional working capital. If we are unable to secure additional financing to cover our operating losses until break-even operations can be achieved, we may not be able to continue as a going concern.

We had nominal cash and cash equivalents and a working capital deficit of $420,210 at December 31, 2007. Our long-term debt was $725,000 at December 31, 2007. We do not have sufficient cash on hand or available credit facilities to continue operations and are dependent upon securing loans or the sale of equity to provide adequate working capital to continue operations. We have raised capital through the sales of unregistered securities and advances and/or loans from its officers and directors to acquire Butte Creek, and fund its operations after its acquisition. There are no assurances that we will be able to secure additional capital to maintain the operations.

During the year ended December 31, 2007, the Company's capital expenditures totaled $28,364.

Lines of Credit

The Company assumed a $25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 17% as of December 31, 2007. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek's former general manager. The outstanding balance as of December 31, 2007 was $23,739. Under our separation agreement with Atmore, we were obligated to pay this indebtedness prior to September 30, 2006 but did not have the resources to pay this obligation.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America/MBNA with interest at the rate of 29.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore, Butte Creek's former general manager. The outstanding balance as of December 31, 2007 was $8,863. Under our separation agreement with Atmore, we were obligated to pay this indebtedness prior to September 30, 2006 but did not have the resources to pay this obligation.

Notes Payable

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March, 2008. As of December 31, 2007, the Tiffany Grace note had

current maturities of $12,631. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of December 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $2,250 and $197 respectively and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006 and payments made to Lone Oak.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of December 31, 2007, these notes had no current maturities and long-term maturities of $215,000 and $90,000 respectively and had accrued interest of $9,675 and $4,050 respectively.

As part of the acquisition of Butte Creek, the Company assumed an $8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of December 31, 2007 the note had accrued interest of $4,318.

The Company has pledged substantially all of its assets to secure some of the notes. Should the Company default in the payment of these secured notes, the collateral could be subject to forfeiture.

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of December 31, 2007, these notes had no current maturities and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $9,200 and $12,400 respectively.

During the year ended December 31, 2007, John Power, our President, and affiliated entities of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2007 in the amount of $112,744. The advances are uncollateralized and due on demand and had accrued interest of $6,000.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture is in the principal amount of $30,000 and is repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. The debenture is unsecured.

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with the launch

of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of the date of this report, the balance on this note was $25,000 plus accrued interest.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminates on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and is payable, at the option of the lender, either in cash or in shares of the Company s common stock valued at the then applicable conversion price. The credit balance is convertible into shares of common stock of the Company at a conversion price equal to 75% of the market price of the Company s common stock on the trading day immediately preceding the conversion date, but in no event is the conversion price to be greater than $1.00 per share or less than $0.25 per share. The fair value of the beneficial conversion feature represents financing fees for each advance under the Agreement, and are valued using the Black Scholes pricing model at the time the advance is made. Expected volatility is based on historical trading activity of the Company s common stock, and was calculated at 95% for advances made in 2007. The risk free interest rate was obtained from published US Treasury data for constant maturity treasury bills and ranged from 3.2% to 5.0%. The expected life of the conversion feature was determined to be the life of the Credit Facility which terminates on December 31, 2008. The total value of advances under the credit facility during 2007 representing deferred financing fees is $95,270 which was credited to Additional paid in capital. The deferred financing fees associated with the advances is being amortized on a straight-line basis over the lives of the advance agreements and for 2007 a total of $2,456 was charged to financing fees associated with the advances under this Agreement.

The Company has also agreed to issue to each lender as a financing fee, 100 shares of common stock for every $1,000 of advances made under the Credit Agreement. The Credit Agreement is secured by a senior lien and security interest in the Company s tangible and intangible assets. The lenders under the Credit Agreement are John C. Power, John Gibbs, Stephen Calandrella and Clifford L. Neuman, the Company s legal counsel. To date, the Company has drawn advances under the Credit Agreement in the aggregate amount of $290,000.

Delinquent Taxes & Rent

At December 31, 2007, the Company had outstanding payroll tax liabilities of $44,238. Of these amounts $39,232 are considered delinquent.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Tax and trade Bureau ("TTB"), and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At December 31, 2007, the Company had alcohol related taxes payable to federal and state taxing authorities of $11,042. The detail of those taxes payable is as follows:

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	December 31, 2007		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$44,238	$ 39,232	PAYROLL TAXES
CA Employment Development Department	$ 1,241	$ 0	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 9,142	$ 0	EXCISE TAX
CA Board of Equalization	$ 1,900	$ 0	EXCISE TAX
CA Board of Equalization	$ 3,184	$ 1,560	SALES AND USE TAX
CA Department of Conservation	$31,667	$ 31,157	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$ 6,770	$ 0	PROPERTY TAXES

Most of these delinquent taxes payable have been assumed by the Company in connection with our acquisition of Butte Creek as the continuation of regulatory compliance is material to the Company's ability to continue as a going concern. The Company has entered into monthly payment plans with all of the aforementioned agencies. Continued operations could be severely impaired should the Company default on its payment plans with the IRS or any other governmental agency seeking to collect any of the delinquent payables before we are able to pay them.

Off Balance Sheet Arrangements

The Company does not have and has never had any off-balance sheet arrangements.

Overview of Product Distribution

Our products are available for sale directly to consumers in draft and bottles at restaurants, bars and liquor stores, as well as in bottles at supermarkets, warehouse clubs and convenience stores. Like substantially all craft brewers, our products are delivered to these retail outlets through a network of local distributors whose principal business is the distribution of beer and, in some cases, other alcoholic beverages, and who traditionally have local distribution relationships with one or more national beer brand.

Sales in the craft beer industry generally reflect a degree of seasonality, with the first and fourth quarters historically being the slowest and the rest of the year typically demonstrating stronger sales. We have historically operated with little or no backlog and, therefore, our ability to predict sales for future periods is limited.

Certain Considerations: Issues and Uncertainties

We do not provide forecasts of future financial performance or sales volume, although this report contains certain other types of forward-looking statements that involve risks and uncertainties. While we are optimistic about our long-term prospects, the following issues and uncertainties, among others, should be considered in evaluating its

business prospects and any forward-looking statements.

In light of uncertain contingencies relating to our acquisition of Butte Creek, we anticipate that a material impairment charge is reasonably likely to occur in the future, resulting in a material impact on our financial statements and results of operations. Since the acquisition has been consummated, we will be required to determine if a valuation allowance with respect to our investment in Butte Creek.

Based upon the financial history of Butte Creek, it appears to us that a valuation allowance is reasonably likely.

Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during 2007, 2006, 2005, 2004 and 2003, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

ITEM 7. FINANCIAL STATEMENTS

The following consolidated financial statements are filed as part of this report:

1. Report of Independent Registered Public Accounting Firm

2. Consolidated Balance Sheets as of December 31, 2007 and 2006

3. Statement of Operations for the Years Ended December 31, 2007 and 2006

4. Consolidated Statement of Stockholders' Deficit (deficit for the years ended December 31, 2007 and 2006)

5. Consolidated Statement of Cash Flows for the Years Ended December 31, 2007 and 2006

6. Notes to Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors

Golden West Brewing, Inc.

We have audited the accompanying balance sheet of Golden West Brewing, Inc. and Consolidated Subsidiaries as of December 31, 2007, and the related statements of operations, stockholders' equity (deficit), and cash flows for the two years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden West Brewing, Inc. and Consolidated Subsidiaries as of December 31, 2007, and the results of its operations and cash flows for the two years ended December 31, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1, the Company has sustained losses from operations, and has a net working capital deficit, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SCHUMACHER & ASSOCIATES, INC.

Denver, Colorado
May 10, 2008

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GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

	For the year ended December 31,	
Current Assets:	2007	2006
Cash and cash equivalents	$ 4,684	$ 344
Accounts receivable, net of allowance for doubtful accounts of $23,849 and $864 at December 31, 2007 and 2006, respectively	184,014	107,859
Inventory (Note 1)	197,871	192,015
Prepaid Expenses	6,369	17,634
Total current assets	392,938	317,852
Fixed Assets:		
Property and equipment net of accumulated depreciation of $63,134 and $36,683 at December 31, 2007 and 2006, respectively (Note 1)	277,526	276,097
Other Assets:		
Intangibles, net of accumulated amortization of $12,339 and $7,235 at December 31, 2007 and 2006, respectively	23,588	20,313
Deferred financing costs, net of accumulated amortization of $2,456	92,814	
Other assets	14,731	8,512
Total other assets	131,133	28,825
Total Assets	$ 801,597	$ 622,774
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable	$309,887	$279,968
Accrued expenses	188,175	205,147
Checks issued in excess of funds available	46,022	9,260
Lines of credit payable (Note 2)	32,602	35,326
Advances related parties	12,744	
Notes payable other, current portion (Note 2)	62,664	21,736
	161,054	-

Notes payable related party, current portion (Note 2)		
Total current liabilities	813,148	551,437
Long-term liabilities:		
Note payable, net of current portion (Note 2)	-	36,636
Note payable related party, net of current portion (Note 2)	725,000	650,000
Total long-term liabilities	725,000	686,636
Common stock issued subject to rescission (Notes 5 & 11)	-	10,000
Total Liabilities	1,538,148	1,248,073
Commitments and Contingencies (Notes 1,2,3,4, 5, 6,7, 8, 10 and 11)		
Stockholders Deficit:		
Preferred Stock, $.0001 par value, 5,000,000 shares authorized,		
300,000 and 0 shares issued and outstanding as of		
December 31, 2007 and 2006, respectively	30	
Common stock, $.0001 par value, 20,000,000 shares authorized,		
3,335,000 and 2,418,000 shares issued and outstanding as of		
December 31, 2007 and 2006, respectively	334	241
Additional paid-in capital	1,485,033	594,845
Accumulated (deficit)	(2,221,948)	(1,220,385)
Total Stockholders Deficit	(736,551)	(625,299)
Total Liabilities and Stockholders Deficit	$ 801,597	$ 622,774

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS

	For the year ended December 31,	
	2007	2006
Revenues	$ 1,253,485	$ 1,032,381
Less: Excise taxes	(49,194)	(48,406)
Net revenues	1,204,291	983,975
Cost of sales	983,584	724,746
Gross profit	220,707	259,229
Operating expenses		
Depreciation and amortization	38,791	33,454
Legal and accounting	94,841	120,340
Management compensation	119,737	84,307
Rent expense	45,085	41,256
Stock-based compensation (Note 10)	37,886	91,086
Stockholder relations	162,095	7,700
Selling expense	124,857	123,539
Other	383,791	269,206
Total operating expense	1,007,083	770,888
Operating Loss	(786,376)	(511,659)
Other Income (Expense)		
Miscellaneous income	4,308	3,417
Debt forgiveness		19,773
Equipment sales - net	1,474	
Stock warrant financing costs	(122,869)	
Impairment to goodwill		(472,503)
Interest expense and loan fees	(98,100)	(68,639)

Total other (expense)	(215,187)	(517,952)
Net Loss	$ (1,001,563)	$ (1,029,611)
Preferred dividends	(6,674)	-
Net loss attributable to common shareholders	(1,008,237)	(1,029,611)
Net Loss Per Common Share	$ (.35)	$ (.48)
Weighted Average Common Shares Outstanding	2,883,332	2,167,671

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

December 31, 2007

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Totals
Balance, December 31, 2005			2,000,000	200	449,800	(190,774)	259,224
Stock issued for cash at $0.50			408,000	41	203,959		204,000
Offset capitalized stock issuance costs					(150,000)		(150,000)
Stock-based compensation			10000		91,086		91,086
Net (Loss)	-	-	-	-	-	(1,029,611)	(1,029,610)
Balance, December 31, 2006			2,418,000	241	594,845	(1,220,385)	(625,299)
Stock issued for cash at $0.35, March, 2007			400,000	40	129,385		129,425
Stock purchase warrants issued in financing, March, 2007					122,869		122,869
Stock issued for cash at $0.33, July, 2007			282,000	28	93,032		93,060
Stock issued for cash at $0.50, September, 2007			100,000	10	49,990		50,000
Advances converted to Preferred Stock at $0.75,September, 2007	300,000	30			224,970		225,000
Advance and accrued interest converted to stock			15,000	2	9,973		9,975

Paid-in capital related to common stock previously subject to rescission					10,000		10,000
Shares issued for investor relations			100,000	10	109.990		110,000
Shares issued for loan fees			15,000	2	10,498		10,500
Shares issued for compensation			5,000	1	2,999		3,000
Stock-based compensation options					37,886		37,886
Deferred financing costs on convertible Notes					95,270		95,270
Dividends on Preferred Stock					(6,674)		(6,674)
Net (Loss) before net dividends	-	-	-	-	-	(1,001,563)	(1,001,563)
Balance	300,000	30	3,335,000	334	1,485,033	(2,221,948)	(736,551)

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY AND SUBSIDARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
	2007	2006
Cash Flows from Operating Activities:		
Net loss	$ (1,001,563)	$ (1,029,611)
Adjustments to reconcile net loss to net cash used in		
operating activities:		
Depreciation	29,793	27,961
Amortization of intangibles	8,998	5,493
Stock-Based Compensation and expenses	161,386	91,086
Stock purchase warrants issued in financing	122,869	
Deferred financing costs	95,270	
Preferred stock dividends	6,674	
Impairment to Goodwill	-	472,503
	424,990	597,043
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	(76,155)	1,309
Inventories	(5,856)	(73,242)
Prepaid expenses	11,265	(8,801)
Increase (decrease) in:		
Checks written in excess of funds available	36,762	9,260
Accounts payable	29,918	57,780
Accrued Expenses	(16,972)	8,407
	(21,038)	(5,287)
Net cash (used in) operating activities	(597,611)	(437,855)
Cash Flows from Investing Activities:		

Investment in fixed assets	(39,812)	(21,734)
Investment in intangibles and other assets	(113,756)	(8,245)
Net cash (used in) investing activities	(153,568)	(29,979)
Cash Flows from Financing Activities:		
Net proceeds from sale of stock	272,485	204,000
Advances converted to stock	244,975	
Net Increase in Notes Payable	238,059	253,341
Net cash provided by financing activities	755,519	457,341
Increase (Decrease) in Cash and Cash Equivalents	$ 4,340	$ (10,493)
Cash and Cash Equivalents, beginning of period	344	10,837
Cash and Cash Equivalents, end of period	$ 4,684	$ 344
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	$ 98,100	$ 55,727

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Business and Significant Accounting Policies:

This summary of significant accounting policies of is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in preparation of the financial statements. The Company has selected December 31 as its year end.

Description of Business - Golden West Brewing Company, Inc., a Delaware Corporation, and its wholly-owned California subsidiary Golden West Brewing Company (hereinafter referred to as The Company on a consolidated basis) were formed in 2003 for the purpose of acquiring Butte Creek Brewing Company, LLC ("Butte Creek"). The acquisition of Butte Creek was completed on August 31, 2005.

In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2007 and December 31, 2006, and its results of operations for the twelve month periods ended December 31, 2007 and 2006 and its cash flows for the twelve month periods ended December 31, 2007 and 2006 and the statement of stockholder s deficit as of December 31, 2007. The accompanying financial statements should be read in conjunction with the notes thereto filed as a part of the Company's annual report on Form 10-KSB. All inter-company account balances and transactions are eliminated in consolidation.

Accounts Receivable - Accounts receivable are reported at net realizable value. The Company has established an allowance for doubtful accounts based on factors pertaining to the credit risk of specific customers, historical trends and other information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible.

Inventory - Inventory is stated at the lower-of-average cost or market computed on a first-in first-out basis. Inventory values as of December 31, 2007 and 2006 are classified as follows:

Inventory Class	2007	2006
Finished Product	$ 83,338	$ 130,735
Manufacturing Materials	92,451	43,573
Goods in Process	22,082	13,152
Advertising Materials	-	4,555
Total	$ 197,871	$ 192,015

Fixed Assets Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is computed on a straight-line basis. Fixed Assets values net of accumulated depreciation as of December 31, 2007 and 2006 are classified as follows:

Fixed Asset Class	Life	2007	2006
Manufacturing equipment	5-15 yrs	$ 246,983	$ 240,965
Draft equipment and kegs	5 yrs	10,950	21,494
Vehicles	5 yrs	1,942	2,670
Computers and lab equipment	5 yrs	5,807	823
Office furniture and fixtures	5 yrs	603	148
Leasehold improvements	30 yrs	3,235	3,667
Trademarks and domain names	n/a	8,006	6,330
Totals		$ 277,526	$ 276,097

Income Recognition - The Company recognizes revenues at the point of sale when title to the product changes hands to the buyer.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of significant estimates including the allowance for doubtful accounts. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

Financial Instruments - The Company discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Company's cash, cash equivalents, and accounts payable approximate their estimated fair values due to their short-term maturities.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and advances. At December 31, 2007 and December 31, 2006, the

Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

Valuation of Long-Lived Assets - The Company evaluates the carrying value of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the projected undiscounted future cash flows are less than its carrying value. The Company measures impairment based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the projected cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Income Taxes - The Company recognizes deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, the effect of net operating losses, based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Intangibles - Intangibles consists of goodwill, trade names and trademarks. Intangibles other than goodwill are amortized using the straight-line method over the estimated useful life of the intangibles. The $25,000 of acquired intangible assets relate to trade names and trademarks that had an expected remaining useful life of approximately five years at the time of their purchase and are being amortized over a 5-year period. Assets determined to have indefinite lives are no longer amortized in accordance with SFAS No. 142, "Goodwill and Other Intangibles," but are tested for impairment on an annual basis.

Goodwill, which relates entirely to our acquisition of the assets of Butte Creek is not amortized but is tested annually for impairment. As part of the 2006 annual review, we elected to impair 100% of the remaining goodwill associated with the Butte Creek acquisition in August 2005.

Recent Accounting Pronouncements - There were various accounting standards and interpretations issued during 2006 and 2007, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

Per Share Information - Per share information is computed by dividing the net income or loss by the weighted average number of shares outstanding during the period.

Cash and Cash Equivalents - The Company considers cash and cash equivalents to consist of cash on hand and demand deposits in banks with an initial maturity of 90 days or less.

Risks and Uncertainties - The Company is subject to substantial business risks and uncertainties inherent in starting a new business. There is no assurance that the Company will be able to generate sufficient revenues or obtain sufficient funds necessary for launching a new business venture.

Basis of Presentation - Going Concern - Generally accepted accounting principles in the United States of America contemplates the continuation of the Company as a going concern. However, the Company has sustained losses from operations, and has net working capital deficit, which raise substantial doubt about the Company's ability to continue as a going concern. Management of the Company believes that the additional capital from the proposed public offering and improved results from operations will be sufficient for the continued viability of the company, however there can be no assurance that either will occur.

In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

2. Advances and Notes Payable:

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. The advance continued to be uncollateralized and due on demand. This advance started to accrue interest at 8% on January 1, 2006 and had accrued interest as of September 30, 2007 of $1,225. On September 30, 2007 the balance of the advance plus accrued interest totaling $9,975 was converted to 15,000 shares of common stock.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working

capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March, 2008. As of December 31, 2007, the Tiffany Grace note had current maturities of $12,641. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of December 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $2,250 and $197 respectively and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006 and payments made to Lone Oak.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of December 31, 2007, these notes had no current maturities and long-term maturities of $215,000 and $90,000 respectively and had accrued interest of $9,675 and $4,050 respectively.

As part of the acquisition of Butte Creek, the Company assumed an $8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of December 31, 2007 the note had accrued interest of $4,318.

The Company has pledged substantially all of its assets to secure some of the notes. Should the Company default in the payment of these secured notes, the collateral could be subject to forfeiture.

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of December 31, 2007, these notes had no current maturities and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $9,200 and $12,400 respectively.

Effective September 4, 2007, the following transactions were completed:

1.

John C. Power and Power Curve, Inc. (collectively Power), the former being the President, Director and principal shareholder of the Company, assigned to Shana Capital Ltd., a Colorado corporation (Shana Capital) an advance owed

to Power by the Company in the amount of $112,500.

2.

Power assigned to Webquest, Inc., a Colorado corporation (Webquest) an advance owed to Power by the Company in the amount of $112,500.

3.

In consideration of the assignments of the Advances owed to Power by the Company, Shana Capital and Webquest each executed and delivered, in favor of Power, their promissory note in the amount of $112,500. Under the terms of each promissory note, the principal balance together with accrued interest at the rate of 7% per annum are due and payable, in full, on December 31, 2008.

4.

Shana Capital and Webquest each executed and delivered an Agreement to Convert Debt pursuant to which each agreed to convert their respective Advances owed to them by the Company that had been acquired from Power in the amount of $112,500 into 150,000 shares of Series A Convertible Preferred Stock of the Company (the Series A Preferred Stock), or an aggregate of 300,000 shares of Series A Preferred Stock, valued at $0.75 per share.

During the year ended December 31, 2007, John Power, our President, and affiliates of Mr. Power have made short-term advances to the Company that remained unpaid as of December 31, 2007 in the amount of $112,744. The advances are uncollateralized and due on demand and had accrued interest of $6,000.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture is in the principal amount of $30,000 and is repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. The debenture is unsecured.

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of the date of this report, the balance of this note was $25,000 plus accrued interest.

Lines of Credit -The Company assumed a $25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 17% as of December 31, 2007. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek, LLC's Managing Member and our former general manager. The outstanding balance as of December 31, 2007 was $23,739.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America (formerly MBNA) with interest at the rate of 29.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore, Butte Creek, LLC s managing member and our former general manager. The outstanding balance on December 31, 2007 was $8,863.

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Notes Payable December 31, 2007	Current Portion	Long-Term Portion	Accrued Interest	Interest Rate	Maturity Date	Collateralized
Lines of Credit						
Bank of America (Atmore)	$ 8,863	-	-	29.98%	Demand	No
Wells Fargo (Atmore)	23,739	-	-	17%	Demand	No
TOTAL	$ 32,602	-	-			
Notes Payable Related Parties						
Power Curve, Inc. #1	$ 50,000	-	$ 2,250	9%	Sep., 2008	Yes
Power Curve, Inc. #2	-	$ 90,000	4,050	9%	Dec., 2008	Yes
Power Curve, Inc. #3	-	155,000	12,400	8%	Dec., 2008	Yes
John C. Power #1	-	215,000	9,675	9%	Dec., 2008	Yes
John C. Power #2	-	115,000	9,200	8%	Dec., 2008	Yes
Credit Facility	-	150,000	333	8%	Dec., 2008	No
Lone Oak Vineyards	11,054	-	197	9%	Sep., 2008	Yes
Sea Ranch Lodge & Village	100,000	-	6,000	12%	Demand	No
TOTAL	$ 161,054	$ 725,000	$ 44,105			
Notes Payable - Unaffiliated						
Tiffany Grace	$ 12,641	$ -	$ -	9%	Mar., 2008	Yes
B. Detweiller	8,136	-	4,318	8%	Demand	No
BRK Holdings, LLC	17,950	-	-	12.246%	Nov., 2008	No
Dayton Misfeldt Trust	23,937	-	-	9%	Dec., 2008	Yes
	$ 62,664	$ -	$ 4,318			

3. Related Party Transactions

In 2003, an officer and director of the Company guaranteed a $25,000 line of credit for Butte Creek with one of its key suppliers. No compensation has been paid by either the Company or Butte Creek for the guarantee.

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. The advance continued to be uncollateralized and due on demand. This advance started to accrue interest at 8% on January 1, 2006 and had accrued interest as of September 30, 2007 of $1,225. On September 30, 2007 the balance of the advance plus accrued interest totaling $9,975 was converted to 15,000 shares of common stock.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March, 2008. As of December 31, 2007, the Tiffany Grace note had current maturities of $12,631. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of December 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $2,250 and $197 respectively

and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006 and payments made to Lone Oak.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of December 31, 2007, these notes had no current maturities and long-term maturities of $215,000 and $90,000 respectively and had accrued interest of $9,675 and $4,050 respectively.

As part of the acquisition of Butte Creek, the Company assumed an $8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of December 31, 2007 the note had accrued interest of $4,318.

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of December 31, 2007, these notes had no current maturities and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $9,200 and $12,400 respectively.

During the year ended December 31, 2007, John Power, our President, and affiliates of Mr. Power have made short-term advances to the Company that remained unpaid as of December 31, 2007 in the amount of $112,744. The advances are uncollateralized and due on demand and had accrued interest of $6,000.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture is in the principal amount of $30,000 and is repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. The debenture is unsecured.

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is collateralized by a UCC security interest against the Company s inventory and

accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of the date of this report, the balance of this note was $25,000 plus accrued interest.

In 2006 and 2007, John Power and Power Curve, Inc, made advances to one of our distributors. This distributor accounted for 6.6 % of gross sales in 2006 and 12.1% of gross sales in 2007. In March 2007, the Company made a secured loan to the same customer/distributor in the amount of $40,000. The loan was collateralized by all of the assets (receivables, inventory and equipment) of the distributor. This Distributor had open account receivables of $57,462 and $3,921 as of December 31,

2007. As of December 31, 2007, we have made an allowance for bad debt equal to the value of this note plus a portion of their overdue account receivable balance.

On March 15, 2007, we completed the private placement of units, each unit consisting of one share of the Company s Common Stock (Common Stock) and one Warrant exercisable to purchase one additional share of Common Stock at an exercise price of $0.40 per share for a period of two years from the date of issue (Warrants). Collectively, the Common Stock and Warrants are, hereinafter, referred to as Units . The private offering price was $0.35 per Unit. In total, we sold 400,000 units. The units were sold to a total of three (3) investors, each of whom qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the Securities Act). One of the three investors was John Power, The Company s C.E.O. and Director.

On July 19, 2007, we completed a private placement of 282,000 shares at $0.33 per share for a total of $93,060 in proceeds. Brian Power, a Director, acquired 100,000 of these shares for cash. Our attorney, Clifford L. Neuman, acquired 60,000 of these shares by converting $19,800 in accrued fees payable.

Effective September 4, 2007, the following transactions were completed:

1.

John C. Power and Power Curve, Inc. (collectively Power), the former being the President, Director and principal shareholder of the Company, assigned to Shana Capital Ltd., a Colorado corporation (Shana Capital) an advance owed to Power by the Company in the amount of $112,500.

2.

Power assigned to Webquest, Inc., a Colorado corporation (Webquest) an advance owed to Power by the Company in the amount of $112,500.

3.

In consideration of the assignments of the Advances owed to Power by the Company, Shana Capital and Webquest each executed and delivered, in favor of Power, their promissory note in the amount of $112,500. Under the terms of each promissory note, the principal balance together with accrued interest at the rate of 7% per annum are due and payable, in full, on December 31, 2008.

4.

Shana Capital and Webquest each executed and delivered an Agreement to Convert Debt pursuant to which each agreed to convert their respective Advances owed to them by the Company that had been acquired from Power in the amount of $112,500 into 150,000 shares of Series A Convertible Preferred Stock of the Company (the Series A Preferred Stock), or an aggregate of 300,000 shares of Series A Preferred Stock, valued at $0.75 per share.

As part of the foregoing transactions, the Company s Board of Directors authorized, adopted and approved the designation of a series of preferred stock consisting of an aggregate of 300,000 of Series A Convertible Preferred Stock. The Company s Certificate of Incorporation previously authorized the Board of Directors to adopt one or more series of preferred stock within the authorized limitation of 5,000,000 shares. The adoption by the Board of Directors of the Series A Preferred Stock did not require further shareholder approval.

During the twelve months ended December 31, 2007, John Power and Power Curve, Inc., made additional advances to the Company of $12,744,. The advances are uncollateralized and due on demand.

These related party transactions have not been evaluated for fairness.

Effective December 1, 2007, the Company entered into an employment agreement with its President, Mark Simpson, providing for the issuance to Mr. Simpson of an aggregate of 13,000 shares of the Company s common stock as compensation for his services as President. Concurrently, the Company also entered into a consulting agreement with Artisan Food and Beverage Group, Inc., a company owned and controlled by Mr. Simpson, providing for the provision of consultation services to the Company in consideration of a consulting fee in the amount of $4,500 per month. The consulting agreement terminates on December 31, 2008.

Subsequent to December 31, 2007, John Power and Power Curve, Inc. have made additional short-term advances to the Company of $2,800 and $3,000, respectively. The advances are uncollateralized and due on demand. These related party transactions have not been evaluated for fairness.

In January, 2008, the Company issued a Convertible Debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture is in the principal amount of $30,000 and is repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. The debenture is unsecured.

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of the date of this report, the balance on this note was $25,000 plus accrued interest.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminates on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and is payable, at the option of the lender, either in cash or in shares of the Company s common stock valued at the then applicable conversion price. The credit balance is convertible into shares of common stock of the Company at a conversion price equal to 75% of the market price of the Company s common stock on the trading day immediately preceding the conversion date, but in no event is the conversion price to be greater than $1.00 per share or less than $0.25 per share. The fair value of the beneficial conversion feature represents financing fees for each advance under the Agreement, and are valued using the Black Scholes pricing model at the

time the advance is made. Expected volatility is based on historical trading activity of the Company s common stock, and was calculated at 95% for advances made in 2007. The risk free interest rate was obtained from published US Treasury data for constant maturity treasury bills and ranged from 3.2% to 5.0%. The expected life of the conversion feature was determined to be the life of the Credit Facility which terminates on December 31, 2008. The total value of advances under the credit facility during 2007 representing deferred financing fees is $95,270 which was credited to Additional paid in capital. The deferred financing fees associated with the advances is being amortized on a straight-line basis over the lives of the advance agreements and for 2007 a total of $2,456 was charged to financing fees associated with the advances under this Agreement.

The Company has also agreed to issue to each lender as a financing fee, 100 shares of common stock for every $1,000 of advances made under the Credit Agreement. The credit agreement is secured by a senior lien and security interest in the Company s tangible and intangible assets. The lenders under the credit agreement are John C. Power, John Gibbs, Stephen Calandrella and Clifford L. Neuman, the Company s legal counsel.

4. Operating Leases

Effective July 1, 2005, the Company entered into a five year lease for office and warehouse space in Chico, California for Butte Creek. The lease provided for initial monthly rent of $3,150, which increased to $3,726 in July 2006 and is subject to annual increases every year starting in July 2007 based on the Consumer Price Index, and expires in 2010. A CPI adjustment to the rent was not made in 2007.

Future minimum lease payments under this lease are as follows:

Year Ending December 31,

2008	$44,712
2009	$44,712
2010	$44,712

5. Commitments & Contingencies

A. On December 30, 2005, an unsecured outstanding advance to the Company by an unaffiliated party at that time in the amount of $10,000 was converted into 40,000 shares of common stock. In February 2006, the Company was notified by the SEC that this conversion of $10,000 into 40,000 shares of common stock to an unaffiliated third party might have been a violation of Section 5 of the Securities Act of 1933 (the "33 Act"). While Management disagrees with this view, if it is determined that this transaction constituted a primary offering by or on behalf of the Company in violation of Section 5 of the 33 Act, then the Company may be subject to remedial sanctions. Such sanctions may include the payment of disgorgement, prejudgment interest and civil or criminal penalties. Management of the Company is not aware of any pending claims for sanctions against it based on Section 5 of the 33 Act, and intends to vigorously defend against any such claims if they arise. As a result of this uncertainity, we elected to treat the $10,000 as a liability and recorded Common Stock subject to rescission in the amount of $10,000 in 2006. In 2007, we elected to reverse this liability back into shareholder s equity. The shares issued are included in our total number of shares outstanding as of December 31, 2007. However, A contingency exists with respect to this matter, the ultimate resolution of which cannot be determined at this time.

B. Delinquent Taxes & Rent

At December 31, 2007, the Company had outstanding payroll tax liabilities of $44,238. Of these amounts $39,232 are considered delinquent.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Tax and trade Bureau ("TTB"), and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At December 31, 2007, the Company had alcohol related taxes payable to federal and state taxing authorities of $11,042. The detail of those taxes payable is as follows:

	December 31, 2007		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$ 42,997	$ 39,232	PAYROLL TAXES
CA Employment Development Department	$ 1,241	$ 0	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 9,142	$ 0	EXCISE TAX
CA Board of Equalization	$ 1,900	$ 0	EXCISE TAX
CA Board of Equalization	$ 3,184	$ 1,560	SALES AND USE TAX
CA Department of Conservation	$31,667	$ 31,157	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$ 6,770	$ 0	PROPERTY TAXES

Most of these delinquent taxes payable have been assumed by the Company in connection with our acquisition of Butte Creek as the continuation of regulatory compliance is material to the Company's ability to continue as a going concern. The Company has entered into monthly payment plans with all of the aforementioned agencies. Continued operations could be severely impaired should the Company default on its payment plans with the IRS or any other governmental agency seek to collect any of the delinquent payables before we are able to pay them.

6. Offering Costs:

The Company incurred $232,089 related to the pending public offering of its securities. The Company had carried $150,000 of the costs as deferred offering costs and has expensed $11,295 in fiscal 2005 and $70,794 in the year ended December 31, 2006. The deferred offering costs were charged against the proceeds of the offering. All offering costs incurred in excess of $150,000 were expensed in the period incurred.

The Company's SB-2 registration statement and a post-effective amendment was declared effective by the Securities and Exchange Commission on February 14, 2006 and June 30, 2006, respectively. The offering consisted of a minimum of 400,000 shares at $0.50 per share and a maximum of 1,000,000 shares at $0.50 per share. The Company completed this offering on August 3, 2006 having sold 408,000 shares and received gross proceeds of $204,000.

7. Common and Preferred Stock:

During 2005 and 2006, the Company filed an SB-2 registration statement and a post-effective amendment to facilitate a public offering of its common stock. The filings were declared effective by the Securities and Exchange Commission on February 14, 2006 and June 30, 2006, respectively. The offering consisted of a minimum of 400,000 shares at $0.50 per share and a maximum of 1,000,000 shares at $0.50 per share. The Company completed the offering on August 3, 2006 having sold 408,000 shares and received gross proceeds of $204,000. The proceeds were partially offset by $150,000 of costs associated with the completion of the offering.

In December 2006, the Company granted a one-time bonus of 1,000 common shares to each full-time employee for a total of 10,000 common shares. The shares were valued at $.50 per share and were expensed as stock compensation expense in 2006.

On March 15, 2007, we completed the private placement of units. Each unit consisted of one share of the Company s Common Stock and one Warrant exercisable to purchase one additional share of Common Stock at an exercise price of $0.40 per share for a period of two years from the date of issue. The private offering price was $0.35 per Unit. All 400,000 units were sold to a total of three investors, each of whom qualified as an "accredited investor" within the meaning of Rule 501(a) of

Regulation D under the Securities Act of 1933, as amended (the Securities Act). One of the three investors was John Power, The Company s President and Director. The gross proceeds of the offering were $140,000, while costs associated with the offering totaled $10,575, resulting in net proceeds of $129,425.

The fair value of the warrants issued in the private placement was estimated utilizing the Black-Scholes pricing model with the following assumptions: expected life of 2 years; expected volatility of 50%; risk free interest rate of 4.57% and no dividend yield. The fair value of the warrants totaling $122,869 has been charged to other expenses as financing costs for the year ended December 31, 2007.

On July 19, 2007, we completed a private placement of 282,000 shares at $0.33 per share for a total of $93,060 in proceeds. Brian Power, a Director, acquired 100,000 of these shares for cash. Our attorney, Clifford L. Neuman, acquired 60,000 of these shares by converting $19,800 in accrued fees payable.

Effective September 30, 2007, the Company issued an aggregate of 15,000 shares of common stock in satisfaction of an uncollateralized advance payable to a non-affiliate in the amount of $9,975, principal and interest. The shares were issued to one person who qualified an an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction.

Effective September 4, 2007, the following transactions were completed:

John C. Power and Power Curve, Inc. (collectively Power), the former being the President, Director and principal shareholder of the Company, assigned to Shana Capital Ltd., a Colorado corporation (Shana Capital) an advance owed to Power by the Company in the amount of $112,500.

Power assigned to Webquest, Inc., a Colorado corporation (Webquest) an advance owed to Power by the Company in the amount of $112,500.

In consideration of the assignments of the Advances owed to Power by the Company, Shana Capital and Webquest each executed and delivered, in favor of Power, their promissory note in the amount of $112,500. Under the terms of

each promissory note, the principal balance together with accrued interest at the rate of 7% per annum are due and payable, in full, on December 31, 2008.

Shana Capital and Webquest each executed and delivered an Agreement to Convert Debt pursuant to which each agreed to convert their respective Advances owed to them by the company that had been acquired from Power in the amount of $112,500 into 150,000 shares of Series A Convertible Preferred Stock of the Company (the Series A Preferred Stock), or an aggregate of 300,000 shares of Series A Preferred Stock, valued at $0.75 per share.

As part of the foregoing transactions, the Company s Board of Directors authorized, adopted and approved a designation of a series of preferred stock consisting of an aggregate of 300,000 of Series A Convertible Preferred Stock. The Company s Certificate of Incorporation previously authorized the Board of Directors to adopt one or more series of preferred stock within the authorized limitation of 5,000,000 shares. The adoption by the Board of Directors of the Series A Preferred Stock did not

require further shareholder approval. During the calendar year ending 2007 the company accrued $6,674 of accrued dividends.

The Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock has previously been filed with the Commission. Following is a summary of the relative rights and preferences of the Series A Preferred Stock, which summary is qualified in its entirety by reference to the Certificate.

Stated Value	$0.75 per share
Liquidation Preference	$0.75 per share, senior to shares of Common Stock
Dividends	7% per year, payable, at the option of the Company, either in cash or in shares of Common Stock, valued at 100% of Fair Market Value on the Dividend Payment Date.
Conversion Rights	Convertible into shares of Common Stock, at the option of the holder at an initial conversion price of $0.75 per share.
Voting Rights	Holders of Series A Preferred Stock exercise full voting rights together with holders of shares of Common Stock, voting as a group.

The Company sold 100,000 shares of common stock at $0.50 per share to two investors in September 2007 in a private transaction.

Beginning in December, 2007, the Company commenced issuing 1,000 shares of common stock per month of service pursuant to its Employment Agreement with its President, Mark Simpson.

In December, 2007, the Company entered into a Credit Agreement with four individuals providing for a revolving line of credit in the maximum principal amount of $350,000. The Company agreed to pay a financing fee in the form of 100 shares of common stock for every $1,000 in advances made under the Credit Agreement. A total of 15,000 shares were issued in 2007 under this agreement. As of the date of this Report, the Company has borrowed $290,000 under the Credit Agreement and has issued an aggregate of 29,000 shares of common stock as a financing fee.

Effective December, 2007, the Company issued its Convertible Debenture in the principal amount of $30,000 evidencing a portion of its outstanding account payable in favor of its legal counsel. The Debenture is convertible at the option of the holder into shares of common stock at a conversion price equal to $0.60 per share.

In December 2007, the Company granted a one-time bonus of 1,000 common shares to three employees for a total of 3,000 common shares. The shares were valued at $.50 per share and were expensed in 2007.

Effective March, 2008, the Company issued an aggregate of 5,000 shares of common stock to one investor as a financing fee for a loan to the Company in the principal amount of $50,000.

Effective March, 2008, the Company granted and issued an aggregate of 8,000 shares of common stock: 4,000 to its President, Mark Simpson; and, 4,000 shares to its Chief Financial Officer of a wholly-owned subsidiary. The shares were issued for services for the four month period ended March 31, 2008

8. Income Taxes

The Company has an estimated net operating loss carry forward of approximately $63,000 and $191,000 at December 31, 2007 and December 31, 2006, respectively, to offset future taxable income. The net operating loss carry forward, if not used, will expire in various years through 2025, and may be restricted if there is a change in ownership. No deferred income taxes have been recorded because of the uncertainty of future taxable income to be offset.

Significant components of the Company's net deferred income tax asset are as follows:

	December 31, 2007	December 31,2006	Prior Years
Net operating losses carry forward	$ 1,001,563	$ 1,029,611	$ 254,000
Effective Tax rate	18.5%	18.5%	18.5%
Deferred income tax	185,289	190,478	46,990
Deferred income tax allowance	(185,289)	(190,478)	(46,990)
Net deferred income tax asset	$ -	$ -	$ -

The reconciliation of income tax (benefit) computed at the federal statutory rate to income tax expense (benefit) for all periods presented is as follows:

Tax (benefit) at Federal statutory rate	(15.00)%
State tax (benefit) net of Federal benefit	(3.50)

Valuation allowance	18.50
Tax provision (benefit)	-

9. Investor Relations Agreement

The Company entered into a 6-month contract effective October 15, 2007 with Red Chip to provide Investor Relations The Company paid Red Chip $50,000 cash and 100,000 shares of common stock valued at $110,000 for an aggregate of $160,000 for these services.

10. Equity Incentive Plan:

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. That in consideration of their services to the Company, certain consultants, employees, officers and directors were granted non-qualified stock options exercisable to purchase, in the aggregate 400,000 shares of common stock at an exercise price of $0.50 per share. The foregoing options are exercisable until December 31, 2012, their Expiration Date . The foregoing options are subject to vesting and become exercisable 50% on the date of grant; 16.67% on July 31, 2007; 16.67% on July 31, 2008; and 16.67% on July 31, 2009, subject to the holder continuing to serve in their positions with the Company, or in some other capacity as shall be approved by the Company and the holder, on each vesting date. Options vest over 5 years and the 2007 expense was $37,886.

The options were granted to five persons who serve as directors, employees or consultants to the Company. The shares issuable upon exercise of the options will be restricted securities within the meaning of Rule 144 under the Securities Act of 1933, as amended.

Under the Equity Incentive Plan, our employees, outside consultants and advisors may receive awards of non-qualified options and incentive options, stock appreciation rights or shares of stock. A maximum of 500,000 shares of our common stock are subject to the Equity Incentive Plan. No stock appreciation rights, options or bonus stock have been granted under the Equity Incentive Plan.

The Equity Incentive Plan may be administered by the Board or in the Board's sole discretion by the Compensation Committee of the Board or such other committee as may be specified by the Board to perform the functions and duties of the Committee under the Equity Incentive Plan. Subject to the provisions of the Equity Incentive Plan, the Committee and the Board shall determine, from those eligible to be participants in the Equity Incentive Plan, the persons to be granted stock options, stock appreciation rights and restricted stock, the amount of stock or rights to be optioned or granted to each such person, and the terms and conditions of any stock option, stock appreciation rights and restricted stock.

The following tables present summarized information about fixed price stock options at December 31, 2007:

Options outstanding at December 31, 2006	400,000
Granted	-
Exercised	-
Forfeitures	(50,000)
Options outstanding at December 31, 2007	350,000

Exercise Price	Number Outstanding	Weighted Average Contractual Life	Weighted Average Price	Number Exercisable
$0.50	350,000	5 years	$0.50	232,750

The fair value of the options granted in fiscal year 2006 was estimated using the Black-Scholes option pricing model with the following assumptions:

Expected volatility	75%
Risk-free interest rate	4.85%

11. Subsequent Events:

A. Subsequent to December 31, 2007, John Power, the CEO, and Power Curve, Inc. have made short-term advances to the Company in the amount of $2,800 and $3,000 respectively. The advances are uncollateralized and due on demand.

Effective January, 2008, the Company issued its Convertible Debenture in the principal amount of $30,000 to evidence the Company s outstanding account in favor of their legal counsel. The debenture accrues interest at the rate of 8% per annum and is due and payable, in full, on December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price equal to $0.60 per share, which was above the public trading price of the Company s common stock on the date of grant. The debenture was issued to the Company s legal counsel who qualifies as an accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction.

Effective March 31, 2008, the Company granted and issued an aggregate of 8,000 shares of common stock: 4,000 to its President, Mark Simpson; and, 4,000 shares to its Chief Financial Officer of a wholly-owned subsidiary. The shares were issued for services based on 1,000 shares per month of service for each executive commencing on December 1, 2007.

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. The outstanding balance of this loan was $25,000 as of the date of this report. The Company issued an aggregate of 5,000 shares of common stock to this lender as a financing fee for this loan. The shares were valued at $0.50 per share. The lender qualified as an accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares, which were acquired for investment purposes and subject to restrictions on transfer, were sold without registration under the Securities Act in reliance upon Section 4(2) thereunder. No fees or commissions were paid in the transaction except as noted.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A. CONTROLS AND PROCEDURES

The Company's Principal Executive Officer and Principal Financial Officer, John C. Power, has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted an update review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on his evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure and we refer you to Exchange Act Rule 13a-15(e). We initially became subject to the reporting requirements of Section 13a of the Exchange Act on February 16, 2006. The principal deficiency in our disclosure controls and procedures is our lack of a dedicated Chief Financial Officer who is primarily responsible for our public disclosures and financial reporting. We intend to retain a qualified Chief Financial Officer during the present fiscal year. There have been no material changes in our internal controls or in other factors that could materially affect these controls subsequent to the date of the previously mentioned evaluation.

Our principal executive and financial officer does not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer has determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be

considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States, and includes those policies and procedures that:

1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and,

3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Furthermore, smaller reporting companies face additional limitations. Smaller reporting companies employ fewer individuals and find it difficult to properly segregate duties. Often, one or two individuals control every aspect of the Company's operation and are in a position to override any system of internal control. Additionally, smaller reporting companies tend to utilize general accounting software packages that lack a rigorous set of software controls.

Our management, with the participation of the President, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control -- Integrated Framework. Based on this evaluation, our management, with the participation of the President, concluded that, as of December 31, 2007, our internal control over financial reporting was not effective due to material weaknesses in the system of internal control.

A material weakness is a control deficiency, or a combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected. As of December 31, 2007, the following significant deficiencies in our internal control over financial reporting were identified:

(1) The Company has not properly segregated duties as one or two individuals initiate, authorize, and complete all transactions. The Company has not implemented measures that would prevent the individuals from overriding the internal control system. The Company does not believe that this control deficiency has resulted in deficient financial reporting because the Chief Financial Officer is

aware of his responsibilities under the SEC's reporting requirements and personally certifies the financial reports.

(2) The Company has installed accounting software that does not prevent erroneous or unauthorized changes to previous reporting periods and does not provide an adequate audit trail of entries made in the accounting software.

(3) Due to a shortage in working capital, the Company has lacked the resources to retain and maintain adequate human resources to implement systems and procedures that permit the timely accumulation of information and preparation of financial statements.

Accordingly, while the Company has identified certain material weaknesses in its system of internal control over financial reporting, it believes that it has taken reasonable steps to ascertain that the financial information contained in this report is fairly and accurately stated in all material respects and is in accordance with generally accepted accounting principles. Management has determined that current resources would be appropriately applied elsewhere and when resources permit, they will alleviate material weaknesses through various steps.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During 2007, there were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON CONTROLS

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving the Company's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in such controls and procedures, including the fact that human judgment in decision making can be faulty and that breakdowns in internal controls can occur because of human failures such as simple errors or mistakes or intentional circumvention of the established process.

This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this Form 10-KSB.

ITEM 8B. OTHER INFORMATION

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Directors and Executive Officers

Our executive officers, key employees and directors and their respective ages and positions are set forth below:

Name	Age	Position
John C. Power[1]	44	Chief Executive Officer, President, Chief Financial Officer, Principal Accounting Officer, Secretary and Director
Brian Power[1]	42	Director
Mark Simpson	47	President

[1] John C. Power and Brian Power are brothers.

John C. Power, age 44, has been a director of Golden West since its inception in December 2003 and Chief Financial Officer since March 2005. He has served as President from December 2005 to December 2007 and as Secretary since January, 2007. He was President (since September 1992) and Director (since September 1989) of Redwood MicroCap Fund, Inc., a registered closed-end investment company regulated under the Investment Company Act of 1940, until March 2005. In addition, until March 2005, he served as Vice President of TriPower Resources, Inc., an oil and gas exploration company, (since December 1993), President and Director of Alta California Broadcasting, Inc. which operates local market radio stations, (since May 1994), President and Director of Four Rivers Broadcasting, Inc., also a radio broadcaster, (since May 1997),and Managing Member of Nova Redwood, LLC, which held undeveloped real property which has now been sold, (since November 1999). He is Co-Managing Member of Wyoming Resorts, LLC, which owns and operates an historic hotel in Thermopolis, Wyoming, (since June 1997), Managing Member of Montana Resorts, LLC, which is a holding company for Yellowstone Gateway Resorts, LLC, (from May 2002), Managing Member of Yellowstone Gateway Resorts, LLC, which owned and operated the Gallatin

Gateway Inn, (from May 2002) and was co-Managing Member of Napa Canyon, LLC, which owns undeveloped real estate in Napa, California, (since September 2001). On November 16, 2004, Yellowstone Gateway Resorts, LLC filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in response to an adverse arbitration award in favor of a former employee. Yellowstone Gateway Resorts, LLC was successfully reorganized under Chapter 11. He serves as a Director of Reserve Energy Corporation that is engaged in the exploration and production of oil and gas in Wyoming. He served as Director of Redwood Energy, Ltd. from 1994 to 2004, President and Director of Redwood Broadcasting, Inc. from December 1994 to June 1998, President and Director of Power Surge, Inc., which was involved in radio broadcasting from December 1996 to June 1998. He also serves as President of Power Curve, Inc., a private investment company, (since 1986), Managing Member of Sea Ranch Lodge and Village, LLC, which owns and operates the Sea Ranch Lodge in Sonoma County, California, (since December 1997), Managing Member of Best of Sea Ranch, LLC, which owns a 50% interest in Sea Ranch Escapes which is involved in home rentals at the Sea Ranch

(since December 2004) and co-Managing Member of Napa Partners, LLC, which is a real estate holding company (since November 1999). He also served as Managing Member of Sea Ranch California, LLC from December 1997 to June 2004. Mr. Power attended Occidental College and University of California at Davis.

On June 1, 1998, the Securities and Exchange Commission issued an Order instituting proceedings alleging, among other things, that John C. Power, one of our directors, violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10(b)(5) promulgated thereunder by participating in a manipulation through his personal account of the public trading market for the stock of Premier Concepts, Inc., from approximately June 1994 through December 1994. On November 15, 2005, the US Court of Appeals for the District of Columbia Circuit issued an Opinion and Order dismissing the matter.

Brian Power, age 42, was CEO, President and Director of Golden West since its inception in December 2003. He resigned as President and CEO in December 2005. He has been President and Director from February 1997 to the present of Lone Oak Vineyards, Inc., a California real estate investment company. From October 1998 to present, he has been founder and managing member of Spirit of Adventure, LLC, formed to develop deep ocean exploration technologies and design and build high technology-based manned submersibles. From February 2002 to present, he has been founder and managing member of West Indies Investments, LLC, a company that sponsors tourist excursions in Providenciales, Turks and Caicos Islands, and the British West Indies. He has been Director of Snuba, Inc. from 1996 to present, a licensor of and manufacturer of patented dive apparatus. From September 1996 to April 2002, he was a Director of Combined Penny Stock Fund, Inc., a registered closed-end investment management company regulated under the Investment Company Act of 1940; and from May 2000 to December 2001, served as managing member of Binghampton Meadows, LLC, a single purpose real estate development entity located in Solano County, California. Mr. Power attended Solano Community College and the University of California at Davis.

Mark Simpson, age 47, Brewmaster and Winemaker, has twenty-three years experience in food and beverage manufacturing. He is the founder and owner of Artisan Group Food and Beverage Group, Inc., through which he provides consulting services to a wide variety of clients engaged in brewing, winemaking and culinary arts. He started his career with Molson Breweries, working with their core brands, as well as brewing international brands under license such as: Lowenbrau, Coors and Kirin. From 1992 to 2001, he was Brewmaster at Vancouver s Granville Island Brewing, where he developed award winning brands such as Cypress Honey Lager, the Belgian influenced Christmas Ale and cask aged Scottish Ale. From 2001 to 2005, Mark worked for RJ Spagnols, a division of Vincor International, in a winemaking role, as Director of Research & Development and Quality Assurance. He has a Bachelor of Science degree in Microbiology from the University of British Columbia, 1982; he is a member of the British Columbia Wine Institute and Brewer s Association of America; a faculty member of the British Columbia Institute of Technology, Food Technology Department; and a past Chairman and founder of the Craft Brewers Association of British Columbia.

During the last five years, except as disclosed above, none of our directors or officers has:

a. had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b. been convicted in a criminal proceeding or subject to a pending criminal proceeding;

c. been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

d. been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Our executive officers are elected annually at the annual meeting of our Board of Directors held after each annual meeting of shareholders. Our directors are elected annually at the annual meeting of our shareholders. Each director and executive officer will hold office until his successor is duly elected and qualified, until his resignation or until he shall be removed in the manner provided by our by-laws.

We currently do not have standing audit, compensation or nominating committees of the Board of Directors. We plan to form audit, compensation and nominating committees when it is necessary to do so to comply with federal securities laws or to meet listing requirements of a stock exchange or the Nasdaq Stock Market.

Except for the filial relationship between John C. Power and Brian Power, no other family relationship exists among our directors. There do not exist any arrangements or understandings between any director and any other person pursuant to which any director was elected as such.

2004 Equity Incentive Plan

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. Under the Equity Incentive Plan, our employees, outside consultants and advisors may receive awards of non-qualified options and incentive options, stock appreciation rights

or shares of stock. As required by Section 422 of the Internal Revenue Code of 1986, as amended, the aggregate fair market value of our common stock underlying incentive stock options granted to an employee exercisable for the first time in any calendar year may not exceed $100,000. The foregoing limitation does not apply to non-qualified options. The exercise price of an incentive option may not be less than 100% of the fair market value of the shares of our common stock on the date of grant. The same limitation does not apply to non-qualified options. An option is not transferable, except by will or the laws of descent and distribution. If the employment of an optionee terminates for any reason, (other than for cause, or by reason of death, disability or retirement), the optionee may exercise his options within a 90-day period following such termination to the extent he was entitled to exercise such options at the date of termination. A maximum of 500,000 shares of our common stock are subject to the Equity Incentive Plan. As of the date of this prospectus, no options, stock appreciation rights or bonus stock have been granted under the Equity Incentive Plan. The purpose of the Equity Incentive Plan is to provide employees, including our officers and employee directors, and non-employee consultants and advisors, with an increased incentive to make significant and extraordinary contributions to our long-term performance and

growth, to join their interests with the interests of our shareholders, and to facilitate attracting and retaining employees of exceptional ability.

The Equity Incentive Plan may be administered by the Board or in the Board's sole discretion by the Compensation Committee of the Board or such other committee as may be specified by the Board to perform the functions and duties of the Committee under the Equity Incentive Plan. Subject to the provisions of the Equity Incentive Plan, the Committee and the Board shall determine, from those eligible to be participants in the Equity Incentive Plan, the persons to be granted stock options, stock appreciation rights and restricted stock, the amount of stock or rights to be optioned or granted to each such person, and the terms and conditions of any stock option, stock appreciation rights and restricted stock.

As of the date of this Report, we have granted options exercisable to purchase an aggregate of 400,000 shares under the Plan, of which options to purchase 50,000 shares have terminated. A portion of those outstanding options are subject to future vesting over 3 years.

Director Compensation

Under our Equity Incentive Plan, each of our directors and officers is eligible to receive options to purchase shares of our common stock. To date, we have granted Brian Power and J. Andrew Moorer each options to purchase 50,000 shares of common stock at an exercise price of $.50 per share. Mr. Moorer resigned from the board of directors in December 2006, and as a result, his options have since terminated without exercise. We plan to make annual grants to directors in the future, but the basis of such grants has not yet been established.

Indemnification and Limitation on Liability of Directors

Our certificate of incorporation limits the liability of a director for monetary damages for his conduct as a director, except for:

* Any breach of the duty of loyalty to us or our stockholders,

* Acts or omissions not in good faith or that involved intentional misconduct or a knowing violation of law,

* Dividends or other distributions of corporate assets from which the director derives an improper personal benefit.

* Liability under federal securities law

The effect of these provisions is to eliminate our right and the right of our stockholders (through stockholder's derivative suits on our behalf) to recover monetary damages against a director for breach of his fiduciary duty of care as a director, except for the acts described above. These provisions do not limit or eliminate our right or the right of a stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care.

Our certificate of incorporation also provides that we shall indemnify, to the full extent permitted by Delaware law, any of our directors, officers, employees or agents who are made, or threatened to be made, a party to a proceeding by reason of the fact that he or she is or was one of our directors,

officers, employees or agents. The indemnification is against judgments, penalties, fines, settlements, and reasonable expenses incurred by the person in connection with the proceeding if certain standards are met. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons in accordance with these provisions, or otherwise, we have been advised that, in the opinion of the SEC, indemnification for liabilities arising under the Securities Act of 1933 is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Compliance with Section 16(a) of the Exchange Act

Under the Securities Laws of the United States, the Company's Directors, its Executive (and certain other) Officers, and any persons holding more than ten percent (10%) of the Company's common stock are required to report their ownership of the Company's common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to report in this report any failure to file by these dates. All of these filing requirements were satisfied by its Officers, Directors, and ten- percent holders except for John Gibbs, who failed to file one report covering one transaction in a timely fashion and, Brian Power failed to file one report covering one transaction in a timely fashion. In making these statements, the Company has relied on the written representation of its Directors and Officers or copies of the reports that they have filed with the Commission.

ITEM 10. EXECUTIVE COMPENSATION

The following table and discussions summarize all plan and non-plan compensation earned by or paid to our chief executive officer for our last three completed fiscal years. No other executive officer received total annual salary and bonus of at least $100,000 during those periods.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus	Stock Awards	Options Awards	Non equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
John C. Power, CEO									

	2007	- 0 -	- 0 -	-	-	-	-	- 0 -	- 0 -
John C. Power, CEO									
	2006	- 0 -	- 0 -	-	-	-	-	-	- 0 -

The following table sets forth information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of the end of the most recently completed fiscal year:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END TABLE

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Exercise Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares of Units That Have Not Vested	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
John Power	-0-	-0-	-0-	-	-	-0-	-	-0-	-

Effective February 21, 2007, our wholly-owned subsidiary entered into an Employment Agreement with Daniel Del Grande, the Manager of Bison Brewing, to serve as Chief Financial Officer of the subsidiary for the period beginning February 21, 2007 and ending the earlier of (i) February 20, 2009 or (ii) the termination of the Production Agreement with Bison Brewing Company, LLC.

Effective December 1, 2007, we entered into an employment agreement with Mark Simpson to serve as President of the Company. In consideration of his services as President, the Company agreed to grant and issue to Mr. Simpson, subject to vesting, an aggregate of 13,000 shares of the Company s common stock.

Concurrently with the execution of Mr. Simpson s employment agreement, the Company entered into a consultation agreement with Artisan Food and Beverage Group, Inc., (Artisan), a consulting firm controlled by Mark Simpson. Under the terms of the consulting agreement, Artisan agreed to provide certain strategic services in consideration of a consulting fee equal to $4,500 per month.

The following table sets forth information concerning compensation paid to the Company s directors during the most recently completed fiscal year:

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
John Power	0	0	0	0	0	0	0
Brian Power	0	0	0	0	0	0	0
J. Andrew Moorer [1]	0	0	0	0	0	0	0

[1] Mr. Moorer resigned from the Board in December, 2006, and his options have since expired without extension.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information with respect to beneficial ownership of our common stock by:

* each person who beneficially owns more than 5% of the common stock;
* each of our executive officers named in the Management section;
* each of our Directors; and
* all executive officers and Directors as a group.

The table shows the number of shares owned as of March 31, 2008 and the percentage of outstanding common stock owned as of March 31, 2008. Each person has sole voting and investment power with respect to the shares shown, except as noted.

Name and Address of Beneficial Owner[1]	Amount and Nature of Beneficial Ownership [2]	Ownership as a Percentage of outstanding common shares[3]
Mark F. Simpson	4,000	nil
Daniel Delgrande	4,000	nil
John Gibbs	942,000[4]	25.7%
807 Wood N Creek		
Ardmore, OK 73041		
John C. Power	708,000[5]	20.6%

Post Office Box 114 Sea Ranch, CA 95497		
Brian Power	100,000	3%
Butte Creek Brewing Company, LLC 500 Orange Street Chico, California [6]	200,000	6%
Clifford Neuman 1507 Pine Street Boulder, CO	220,500[7]	6.5%
All officers and directors as a group (four persons)	816,000	23.7%

(1) Unless otherwise stated, address is 945 West 2nd Street, Chico, California 95928.

(2) Under SEC Rules, we include in the number of shares owned by each person the number of shares issuable under outstanding options or warrants if those options or warrants are exercisable within 60 days of the date of this prospectus. In calculating percentage ownership, we calculate the ownership of each person who owns exercisable options by adding (i) the number of exercisable options for that person only to (ii) the number of total shares outstanding and dividing that result into (iii) the total number of shares and exercisable options owned by that person.

(3) Shares and percentages beneficially owned are based upon 3,359,000 shares outstanding on March 31, 2008.

(4) Includes warrants exercisable to purchase an additional 300,000 shares of common stock.

(5) Includes warrants exercisable to purchase 85,000 shares of common stock.

(6) Voting and investment power is exercised by the sole manager of Butte Creek, who is Thomas Atmore.

(7) Includes 50,000 shares issuable upon conversion of a Convertible Debenture in the principal amount of $30,000.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In 2003, an officer and director of the Company guaranteed a $25,000 line of credit for Butte Creek with one of its key suppliers. No compensation has been paid by either the Company or Butte Creek for the guarantee.

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. The advance continued to be uncollateralized and due on demand. This advance started to accrue interest at

8% on January 1, 2006 and had accrued interest as of September 30, 2007 of $1,225. On September 30, 2007 the balance of the advance plus accrued interest totaling $9,975 was converted to 15,000 shares of common stock.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March, 2008. As of December 31, 2007, the Tiffany Grace note had current maturities of $12,631. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of December 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $2,250 and $197 respectively

and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006 and payments made to Lone Oak.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of December 31, 2007, these notes had no current maturities and long-term maturities of $215,000 and $90,000 respectively and had accrued interest of $9,675 and $4,050 respectively.

As part of the acquisition of Butte Creek, the Company assumed an $8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of December 31, 2007 the note had accrued interest of $4,318.

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of December 31, 2007, these notes had no current maturities and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $9,200 and $12,400 respectively.

In 2006 and 2007, John Power and Power Curve, Inc, made advances to one of our distributors. This distributor accounted for 6.6 % of gross sales in 2006 and 12.1% of gross sales in 2007. In March 2007, the Company made a secured loan to the same customer/distributor in the amount of $40,000. The loan was secured by all of the assets (receivables, inventory and equipment) of the distributor. This Distributor had open account receivables of $57,462 and $3,921 as of December 31, 2007. A portion of these receivables have been classified as bad debt as of December 31, 2007.

On March 15, 2007, we completed the private placement of units, each unit consisting of one share of the Company s Common Stock (Common Stock) and one Warrant exercisable to purchase one additional share of Common Stock at an exercise price of $0.40 per share for a period of two years from the date of issue (Warrants). Collectively, the Common Stock and Warrants are, hereinafter, referred to as Units . The private offering price was $0.35 per Unit. In total, we sold 400,000 units. The units were sold to a total of three (3) investors, each of whom qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the Securities Act). One of the three investors was John Power, The Company s C.E.O. and Director.

On July 19, 2007, we completed a private placement of 282,000 shares at $0.33 per share for a total of $93,060 in proceeds. Brian Power, a Director, acquired 100,000 of these shares for cash. Our attorney, Clifford L. Neuman, acquired 60,000 of these shares by converting $19,800 in accrued fees payable.

Effective September 4, 2007, the following transactions were completed:

1.

John C. Power and Power Curve, Inc. (collectively Power), the former being the President, Director and principal shareholder of the Company, assigned to Shana Capital Ltd., a Colorado corporation (Shana Capital) an advance owed to Power by the Company in the amount of $112,500.

2.

Power assigned to Webquest, Inc., a Colorado corporation (Webquest) an advance owed to Power by the Company in the amount of $112,500.

3.

In consideration of the assignments of the Advances owed to Power by the Company, Shana Capital and Webquest each executed and delivered, in favor of Power, their promissory note in the amount of $112,500. Under the terms of each promissory note, the principal balance together with accrued interest at the rate of 7% per annum are due and payable, in full, on December 31, 2008.

4.

Shana Capital and Webquest each executed and delivered an Agreement to Convert Debt pursuant to which each agreed to convert their respective Advances owed to them by the Company that had been acquired from Power in the amount of $112,500 into 150,000 shares of Series A Convertible Preferred Stock of the Company (the Series A Preferred Stock), or an aggregate of 300,000 shares of Series A Preferred Stock, valued at $0.75 per share.

As part of the foregoing transactions, the Company s Board of Directors authorized, adopted and approved a designation of a series of preferred stock consisting of an aggregate of 300,000 of Series A Convertible Preferred Stock. The Company s Certificate of Incorporation previously authorized the Board of Directors to adopt one or more series of preferred stock within the authorized limitation of 5,000,000 shares. The adoption by the Board of Directors of the Series A Preferred Stock did not require further shareholder approval.

During the twelve months ended December 31, 2007, John Power, our President, and affiliates of Mr. Power have made short-term advances to the Company that remained unpaid as of September 30, 2007 in the amount of $112,744. The advances are uncollateralized and due on demand and had accrued interest of $6,000 at December 31, 2007.

Effective December 1, 2007, the Company entered into an employment agreement with its President, Mark Simpson, providing for the issuance to Mr. Simpson of an aggregate of 13,000 shares of the Company s common stock as compensation for his services as President. Concurrently, the Company also entered into a consulting agreement with Artisan Food and Beverage Group, Inc., a company owned and controlled by Mr. Simpson, providing for the provision of consultation services to the Company in consideration of a consulting fee in the amount of $4,500 per month. The consulting agreement terminates on December 31, 2008.

Subsequent to December 31, 2007, John Power and Power Curve, Inc., made additional short-term advances to the Company of $2,800and $3,000respectively. The advances are uncollateralized and due on demand. These related party transactions have not been evaluated for fairness.

In January, 2008, the Company issued a Convertible Debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture is in the principal amount of $30,000 and

is repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture is convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. The debenture is unsecured.

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of the date of this report, the balance on this note was $25,000 plus accrued interest.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminates on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and is payable, at the option of the lender, either in cash or in shares of the Company s common stock valued at the then applicable conversion price. The credit balance is convertible into shares of common stock of the Company at a conversion price equal to 75% of the market price of the Company s common stock on the trading day immediately preceding the conversion date, but in no event is the conversion price to be greater than $1.00 per share or less than $0.25 per share. The fair value of the beneficial conversion feature represents financing fees for each advance under the Agreement, and are valued using the Black Scholes pricing model at the time the advance is made. Expected volatility is based on historical trading activity of the Company s common stock, and was calculated at 95% for advances made in 2007. The risk free interest rate was obtained from published US Treasury data for constant maturity treasury bills and ranged from 3.2% to 5.0%. The expected life of the conversion feature was determined to be the life of the Credit Facility which terminates on December 31, 2008. The total value of advances under the credit facility during 2007 representing deferred financing fees is $95,270 which was credited to Additional paid in capital. The deferred financing fees associated with the advances is being amortized on a straight-line basis over the lives of the advance agreements and for 2007 a total of $2,456 was charged to financing fees associated with the advances under this Agreement.

The Company has also agreed to issue to each lender as a financing fee, 100 shares of common stock for every $1,000 of advances made under the Credit Agreement. The credit agreement is secured by a senior lien and security interest in the Company s tangible and intangible assets. The lenders under the credit agreement are John C. Power, John Gibbs, Stephen Calandrella and Clifford L. Neuman, the Company s legal counsel.

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PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

*	2.1	Asset Purchase and Sale Agreement dated October 8, 2004
*	2.2	Amendment No. 1 to Asset Purchase and Sale Agreement
*	2.3	Amendment No. 2 to Asset Purchase and Sale Agreement dated July 31, 2005
*	2.4	Amendment No. 3 to Asset Purchase and Sale Agreement dated August 31, 2005
*	3.1	Amended and Restated Certificate of Incorporation
***	3.1.1	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock
*	3.2	By-Laws
*	4.1	2004 Equity Incentive Plan
*	4.2	Form of Subscription Agreement
*	4.3	Specimen common stock certificate
*	10.1	Lease Agreement
*	10.2	Form of Escrow Agreement
*	10.3	Amended Trademark Assignment
*	10.3.2	Initial Assignment of Trademark
*	10.4	Lock-up Letter for Brian Power
*	10.5	Lock-up Letter for John C. Power
*	10.6	Lock-up Letter for J. Andrew Moorer
*	10.7	Amended Fund Escrow Agreement
*	10.8	Lease Agreement with Golden West Brewing Company
*	10.9	Security Agreement in favor of Power Curve, Inc., Lone Oak Vineyards, Inc. and Tiffany Grace.
*	10.10	Promissory Note dated September 9, 2005, Tiffany Grace, Holder
*	10.11	Promissory Note dated September 9, 2005, Lone Oak Vineyards, Inc., Holder
*	10.12	Promissory Note dated September 9, 2005, Power Curve, Inc., Holder
*	10.13	Assignment and Assumption dated August 31, 2005 between Butte Creek Brewing Company, LLC, Golden West Brewing Company and Golden West Brewing Company, Inc.
*	10.14	Amended and Restated Assignment and Assumption
*	10.15	August 7, 1998 Distribution Agreement
*	10.16	Territorial Agreement

*	10.17	November 4, 2002 Distribution Agreement
*	10.18	June 1, 2001 Authorization
*	10.19	July 22, 2004 Authorization
*	10.20	September 1, 2005 Authorization
*	10.22	Second Amended Fund Escrow Agreement
*	10.23	Contract with New Zealand Hops, Ltd., 2006
*	10.24	Contract with New Zealand Hops, Ltd., 2007
*	10.25	Second Amended and Restated Assignment and Assumption
*	10.26	Third Amended Fund Escrow Agreement
*	10.27	Secured Promissory Note with John C. Power
*	10.28	Secured Promissory Note with Power Curve, Inc.
*	10.29	General Security Agreement with John C. Power and Power Curve, Inc.
***	10.30	Production Agreement dated February 21, 2007 with Bison Brewing Company
***	10.31	Employment Agreement with David DelGrande dated February 21, 2007

	10.32	License, Production and Distribution Agreement dated November 1, 2006 with Mateveza USA, LLC
****	10.33	Employment Agreement with Mark Simpson
****	10.34	Consultation Agreement with Artisan Food and Beverage Group
*****	10.35	Credit Agreement dated December 11, 2007
******	10.36	Promissory Note dated March 12, 2008
******	10.37	Security Agreement dated March 12, 2008
******	10.38	Guaranty Agreement dated March 12, 2008
**	14	Code of Ethics
*	21.0	List of Subsidiaries
**	31	Certification
**	32	Certification pursuant to 18 U.S.C.. Section 1350

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* Incorporated by reference from the Company's Registration Statement on Form SB-2, SEC File No. 121351 as declared effective by the Commission on February 14, 2006.

** Filed herewith.

*** Incorporated by reference from the Company s Report on Form 8-K dated December 28, 2006 and filed with the Commission on March 8, 2007.

**** Incorporated by reference from the Company s Current Report on Form 8-K dated December 4, 2007 and filed with the Commission on December 6, 2007.

***** Incorporated by reference from the Company s Current Report on Form 8-K dated December 11, 2007 and filed with the Commission on December 18, 2007.

****** Incorporated by reference from the Company s Current Report on Form 8-K dated March 12, 2008 and filed with the Commission on March 14, 2008.

Reports on Form 8-K

Current Report on Form 8-K dated October 24, 2007, Item No. 8.01, as filed with the Commission on October 26, 2007

Current Report on Form 8-K dated December 4, 2007, Item Nos. 1.01, 3.02, 5.02 and 9.01, as filed with the Commission on December 6, 2007

Current Report on Form 8-K dated December 12, 2007, Item Nos. 7.01 and 9.01, as filed with the Commission on December 12, 2007

Current Report on Form 8-K dated December 11, 2007, Item Nos. 2.03 and 9.01, as filed with the Commission on December 18, 2007

Current Report on Form 8-K dated February 5, 2008, Item Nos. 7.01 and 9.01, as filed with the Commission on February 8, 2008.

Current Report on Form 8-K dated March 12, 2008, Item Nos. 2.03 and 9.01, as filed with the Commission on March 14, 2008

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We understand the need for our principal accountants to maintain objectivity and independence in their audit of our financial statements. To minimize relationships that could appear to impair the objectivity of our principal accountants, our Board of Directors has restricted the non-audit services that our principal accountants may provide to us primarily to tax services and audit related services. We are only to obtain non-audit services from our principal accountants when the services offered by our principal accountants are more effective or economical than services available from other service providers, and, to the extent possible, only after competitive bidding. These determinations are among the key practices adopted by the Board of Directors. The board has adopted policies and procedures for pre-approving work performed by our principal accountants.

The following table details the aggregate fees billed to the Company by Schumacher & Associates, Inc., its principal accountant, for each of the last two fiscal years:

	2007	2006
Audit fees - audit of annual financial statements and review of financial statements included in our quarterly reports, services normally provided by the accountant in connection with statutory and regulatory filings.	$24,800	$25,000
Audit-related fees - related to the performance of audit or review of financial statements not reported under "audit fees" above	$8,100	7,000
Tax fees - tax compliance, tax advice and tax planning	-	-
All other fees - services provided by our principal accountants other than those identified above	-	-
Total fees paid or accrued to our principal accountants	$32,900	$32,000

After careful consideration, the Board of Directors has determined that payment of the audit fees is in conformance with the independent status of the Company's principal independent accountants.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN WEST BREWING COMPANY, INC.

Date: May 9, 2008

By: */s/ John C. Power*

John C. Power, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ John C. Power John C. Power	Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Secretary & Director	May 9, 2008
/s/ Brian Power Brian Power	Director	May 9, 2008