

ATHENA SILVER CORP
Form 10-Q/A
August 09, 2010

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

FORM 10-Q /A

(Amendment No. 1)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2009

OR

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

Commission file number 000-51808

ATHENA SILVER CORPORATION

(formerly GOLDEN WEST BREWING COMPANY, INC.)
(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

25-1909408
I.R.S. Employer
Identification number

2010A Harbison Drive, Suite #312, Vacaville, CA 95687
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (707) 844-3766

945 West 2nd Street, Chico, P O Box 3750, CA 95928
Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

As of November 20, 2009, the Registrant had 20,000,000 shares of its Common Stock outstanding.

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EXPLANATORY NOTE

The primary purpose of this Amendment No. 1 on Form 10-Q/A is to restate the consolidated financial statements for the fiscal quarter ended September 30, 2009, presented in our Quarterly Report on Form 10-Q initially filed with the Securities and Exchange Commission (SEC) on November 20, 2009 (the Original Filing).

As previously reported, subsequent to the issuance of our interim financial statements on Form 10-Q for the quarter ended September 30, 2009, management discovered a financial statement error that related to the fiscal year ended December 31, 2008 that caused an understatement of the previously reported net loss for the year ended December 31, 2008 by \$191,800, or \$0.06 per common share. This error relates to the accounting for forgiveness of debt by a related party. As a result of this error, total other expense for the fourth quarter of fiscal 2008 was understated by \$191,800 due to the recording of debt forgiveness by a related party as other income and additional paid-in capital was understated by a like amount.

Management also discovered a financial statement error that related to the fiscal quarter ended June 30, 2009 that caused an overstatement of the previously reported net income for the three and six months ended June 30, 2009 by \$139,295, or \$0.02 and \$0.03 per common share, respectively. This error had no effect on the previously reported net income for the three months ended September 30, 2009 and caused overstatement of the previously reported net income for the nine months ended September 30, 2009 by \$139,295, or \$0.01 per common share. This error relates to the accounting for forgiveness of debt by a related party. As a result of this error, total other income for the three and nine months ended September 30, 2009 was overstated by \$0 and \$139,295, respectively, due to the recording of debt forgiveness by a related party as other income and additional paid-in capital was understated by a like amount.

See Note 2 to the Notes to the consolidated interim financial statements for more details on this error and the related financial statement effect.

Generally, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the Original Filing except as required to reflect the effects of the restatement. This Form 10-Q/A does not reflect events occurring after the Original Filing or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the Original Filing. Accordingly, this Form 10-Q/A should be read in conjunction with the Company's filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-Q. The following items have been amended as a result of the restatement:

Part I Item 1 (Financial Information), Part I Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Part I Item 4 (Controls and Procedures), have been amended from the Original Filing as a result of the restatement. In addition, Part II Item 6 (Exhibits) has been amended to include new certifications

executed as of the date of this Form 10-Q/A by our Chief Financial Officer.

PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Golden West Brewing Company, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. 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 September 30, 2009 and December 31, 2008, and its results of operations for the three and nine month periods ended September 30, 2009 and 2008 and its cash flows for the nine month periods ended September 30, 2009 and 2008 and the statement of stockholders deficit as of September 30, 2009. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-K.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET****AS OF**

(Unaudited)

Current Assets:	<u>September 30, 2009 (Restated)</u>	<u>December 31, 2008</u> <u>(Restated)</u>
Cash and cash equivalents	\$ 316	\$ 21,201
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$23,849 at September 30, 2009 and December 31, 2008 respectively	28,536	39,178
Inventory (Note 1)	90,911	109,495
Marketable Securities (Note 3)	16,021	73,952
Prepaid Expenses	<u>2,637</u>	<u>8,976</u>
Total current assets	138,421	252,802
Fixed Assets:		
Property and equipment from discontinued operations held for sale (Note 1)	7,061	152,590
Other Assets:		
Intangibles, net of accumulated amortization of \$20,417 and \$16,667 at September 30, 2009 and December 31, 2008, respectively	12,768	16,068
Deferred financing costs, net of accumulated amortization of \$5,858 at December 31, 2008 .. (Note 4)	-	84,922
Other assets	<u>2,079</u>	<u>7,709</u>
Total other assets	<u>14,847</u>	<u>108,699</u>
Total Assets	<u>\$ 160,329</u>	<u>\$ 514,091</u>

LIABILITIES AND STOCKHOLDERS DEFICIT

Current Liabilities:

Accounts payable	\$322,770	\$445,353
Accrued expenses	209,522	265,105

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Checks issued in excess of funds available	31,747	6,095
Lines of credit payable (Note 4)	22,978	32,555
Advances payable, including advances from related parties of \$58,750		
and \$7,425 at September 30, 2009 and December 31, 2008,		
respectively (Notes 4 and 5)	59,646	7,425
Notes payable, including notes from related parties of \$439,881		
and \$1,109,054 at September 30, 2009 and December 31, 2008,		
respectively (Notes 4 and 5)	<u>465,967</u>	<u>1,177,785</u>
Total current liabilities	<u>1,112,630</u>	<u>1,934,318</u>
Total Liabilities	1,112,630	1,934,318
Commitments and contingencies (Notes 1,2,3,4, 5, 6,7, 8, 9 ,10 and 1 1)		
Stockholders Deficit:		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized,		
0 shares and 300,000 issued and outstanding as of		
September 30, 2009 and December 31, 2008, respectively (Note 8)	-	30
Common stock, \$.0001 par value, 20,000,000 shares authorized,		
20,000,000 and 3,404,525 shares issued and outstanding as of		
September 30, 2009 and December 31, 2008 , respectively (Note 8)	2,000	340
Additional paid-in capital	2,545,045	1,898,015
Accumulated deficit	<u>(3,499,346)</u>	<u>(3,318,612)</u>
Total Stockholders Deficit	<u>(952,301)</u>	<u>(1,420,227)</u>
Total Liabilities and Stockholders Deficit	<u>\$ 160,329</u>	<u>\$ 514,091</u>

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009 (Restated)</u>	<u>2008</u>
Revenues	\$50,879	\$ 139,597	\$ 169,848	\$ 716,061
Less: Excise taxes	<u>(9,946)</u>	<u>(7,508)</u>	<u>(13,674)</u>	<u>(33,852)</u>
Net revenues	40,933	132,089	156,174	682,209
Cost of sales	<u>43,766</u>	<u>155,246</u>	<u>150,942</u>	<u>630,767</u>
Gross profit (loss)	(2,833)	(23,157)	5,23 2	51,442
Operating expenses:				
Amortization	1,250	1,586	3,750	4,759
Legal and accounting	24,797	18,891	85,148	84,605
Management compensation	-	17,890	11,250	77,854
Stock-based compensation (Note 10)	(2,550)	3,338	4,126	10,014
Selling expenses	3,121	32,592	12,991	96,714
Other	<u>23,981</u>	<u>35,643</u>	<u>57,058</u>	<u>48,644</u>
Total operating expenses	<u>50,599</u>	<u>109,940</u>	<u>174,323</u>	<u>322,590</u>
Other Income (Expense):				
Miscellaneous income	512	210	2,109	210
Gain on marketable securities	6,383	-	86,694	-
Bad debt recovery	-	45,035	-	45,035
Debt forgiveness	-	-	26,458	-
Loan fees	-	(1,500)	(2,400)	(12,250)
Deferred financing costs	-	(55,073)	(84,922)	(142,000)
Interest expense	<u>(12,628)</u>	<u>(29,251)</u>	<u>(48,833)</u>	<u>(85,472)</u>
Total other income (expense)	<u>(5,733)</u>	<u>(40,579)</u>	<u>(20,894)</u>	<u>(194,477)</u>
Loss from continuing operations	(59,165)	(173,676)	(189,985)	(465,625)
Discontinued operations				
Revenues from discontinued operations	-	26,082	5,507	174,397
Gain (Loss) on equipment sales	(2,678)	7,405	65,464	7,405
Equipment Retirement Loss	-	(6,356)	-	(6,356)
Expenses from discontinued operations	<u>(10,166)</u>	<u>(72,225)</u>	<u>(61,720)</u>	<u>(365,673)</u>
Gain (Loss) from discontinued operations	(12,844)	(45,094)	9,251	(190,227)
Net Loss	<u>\$ (72,009)</u>	<u>\$ (218,770)</u>	<u>\$ (180,734)</u>	<u>\$ (655,852)</u>

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Preferred dividends	-	<u>13,348</u>	-	<u>13,348</u>
Net loss attributable to common shareholders	\$ <u>(72,009)</u>	\$ <u>(232,118)</u>	\$ <u>(180,734)</u>	<u>(669,200)</u>
Net loss per share	\$ <u>(.00)</u>	\$ <u>(.06)</u>	\$ <u>(.02)</u>	\$ <u>(.19)</u>
Net Loss attributable to continuing operations	\$ (59,165)	\$ <u>(173,676)</u>	\$ <u>(189,985)</u>	\$ <u>(465,625)</u>
Net loss per share	\$ <u>(.00)</u>	\$ <u>(.05)</u>	\$ <u>(.02)</u>	\$ <u>(.14)</u>
Net income (loss) attributable to discontinued operations	\$ (12,844)	\$ <u>(45,094)</u>	\$ <u>9,251</u>	\$ <u>(190,227)</u>
Net income (loss) per share	\$ <u>(.00)</u>	\$ <u>(.01)</u>	\$ <u>.00</u>	\$ <u>(.06)</u>
Weighted Average Shares				
Outstanding	<u>20,000,000</u>	<u>3,381,164</u>	<u>9,969,768</u>	<u>3,371,162</u>

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
SEPTEMBER 30, 2009 (RESTATED) (UNAUDITED)**

	Preferred Stock		Common Stock		Additional	Accumulated (Deficit)	Totals
	<u>Shares</u>	<u>Amt</u>	<u>Shares</u>	<u>Amount</u>	Paid-In <u>Capital</u>		
Balance, December 31, 2007	300,000	30	3,335,000	334	1,485,033	(2,221,948)	(736,551)
Shares issued for compensation at \$0.50, March, 2008			6,000	1	2,999		3,000
Shares issued for loan fees at \$0.50, March, 2008			18,000	1	8,999		9,000
Deferred financing costs on line of credit for three months ended March 31, 2008					80,960		80,960
Shares issued for compensation at \$0.50, June, 2008			6,000	1	2,999		3,000
Shares issued for loan fees at \$0.50, June, 2008			3,500		1,750		1,750
Deferred financing costs on line of credit for three months ended September 30, 2009					17,830		17,830
Shares issued for trade liability at \$.30 per share, September, 2008			21,225	2	6,365		6,367
Shares issued for loan fees at \$.25 per share, August, 2008			1,500		375		375
Shares issued for compensation at \$.25 per share, August, 2008			6,000	1	1,499		1,500
Stock-based compensation options					13,352		13,352
Deferred financing costs on line of credit for three					6,830		6,830

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months ended September 30, 2008

Shares issued for compensation at
\$.10 per share,

December 1, 2008			6,000		600		600
Shares issued for loan fees at \$.10 per share, December, 2008			1,300		130		130
Deferred financing costs on line of credit for three							

months ended December 31, 2008

Dividends on Preferred Stock for
the year ended Dec. 31, 2008

Contributed capital forgiveness of
related party debt and accrued
interest expense, December 2008
(Restated)

					90,820		90,820
					(14,326)		(14,326)
					191,800		191,800
Net (Loss) (Restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,096,664)</u>	<u>(1,096,664)</u>
Balance, December 31, 2008 (Restated)	300,000	30	3,404,525	340	1,898,015	(3,318,612)	(1,420,227)

Dividends on Preferred Stock ,
March 2009

Shares issued in satisfaction of
accounts payable at \$0.04 per
share, June, 2009

Shares issued for debt conversion
at \$ 0 .04 per share, June , 2009

Common shares exchanged for
preferred shares , June, 2009

Contributed capital forgiveness of
related party debt and accrued
interest expense, June, 2009
(Restated)

Forgiveness of accrued preferred
dividends , June, 2009

Stock-based compensation
options

					(3,582)		(3,582)
			2,500,000	250	99,750		100,000
			9,595,475	960	382,859		383,819
	(300,000)	(30)	4,500,000	450	-		420
					139,295		139,295
					24,582		24,582
					4,126		4,126
Net (Loss) Restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,734)</u>	<u>(180,734)</u>
Balance. September 30, 2009 (Restated)	<u>-</u>	<u>-</u>	<u>20,000,000</u>	<u>2,000</u>	<u>2,545,045</u>	<u>(3,499,346)</u>	<u>(952,301)</u>

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	For the nine months ended	
	September 30,	
	(Restated)	
	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Net loss	\$(180,734)	\$ (655,852)
Adjustments to reconcile net loss to net cash from (used in)		
operating activities:		
Depreciation	-	23,764
Amortization of intangibles	3,750	4,759
Equipment retirement loss	-	6,356
Stock-based compensation and expenses	4,126	10,014
Shares issued for compensation	-	7,500
Deferred financing costs	84,922	142,000
(Gain) on forgiveness of line of credit payable and accounts payable	(26,458)	=
(Gain) on marketable securities	(86,694)	=
Loss on sale of property and equipment from discontinued operations held for sale	<u>1,049</u>	<u>-</u>
	(19,305)	194,393
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	10,642	143,809
Inventories	18,584	88,104
Prepaid expenses	6,339	(95,921)
Marketable Securities	144,625	-
Increase (decrease) in:		
Checks written in excess of funds available	25,652	(35,491)
Accounts payable	(3,318)	118,271
Accrued expenses	<u>22,486</u>	<u>77,459</u>
	225,010	296,231
Net cash from (used in) operating activities	24,971	(165,228)
Cash flows from (used in) investing activities:		
Sale of fixed assets	144,480	1,136
Net investment in (proceeds from) intangibles and other assets	<u>5,179</u>	<u>(7,991)</u>

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Net cash from (used in) investing activities	149,659	(6,855)
Cash flows from (used in) financing activities:		
Borrowings from lines of credit, advances and notes payable	265,894	289,086
Repayment of lines of credit, advances and notes payable	<u>(461,409)</u>	<u>(116,522)</u>
Net cash from (used in) financing activities	(195,515)	172,564
Increase (decrease) in cash and cash equivalents	\$ (20,885)	\$ 481
Cash and cash equivalents, beginning of period	21,201	4,684
Cash and cash equivalents, end of period	<u>\$ 316</u>	<u>\$ 5,165</u>
Supplemental schedule of cash flow information:		
Cash paid for interest	\$ 12,593	\$ 5,509
Common shares issued for notes payable	\$383,819	\$ -
Debt forgiveness lines of credit	\$ 7,193	\$ -
Debt forgiveness notes payable related parties	\$ 85,250	\$ -

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies:

This summary of significant accounting policies 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. (**GWB**), a Delaware Corporation, and its wholly-owned California subsidiary Golden West Brewing Company (**GWB-CA**) 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 2008, the Company formed a wholly-owned Washington subsidiary, Golden West Brewing, Inc. (**GWB-WA**) which invests in speculative securities. Together these entities are referred to as the Company on a consolidated basis.

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 September 30, 2009 and December 31, 2008, and its results of operations for the three and nine month periods ended September 30, 2009 and 2008 and its cash flows for the nine month period ended September 30, 2009 and 2008 and the statement of stockholder's deficit as of September 30, 2009. The accompanying financial statements should be read in conjunction with the financial statements for the year ended December 31, 2008 contained in our Form 10-K filed on April 14, 2009. All inter-company account balances and transactions are eliminated in consolidation.

In January 2009, we discontinued brewing operations at our Chico, California brewery. In February 2009, we entered into a three (3) year contract brewing agreement with an unrelated brewery located in California and have outsourced the brewing and bottling of all our beers in 2009. As a result of the closure of our brewing facility, we expensed an impairment charge to fixed assets of \$82,730 in 2008.

Our Board of Directors has approved a change of name for the Company to a new name to be determined by the Board at a future date, a reverse split of one-for-ten, and an increase of our authorized common shares to 100,000,000 (the Shareholder Action). The implementation of the Shareholder Action requires an amendment to our Certificate of Incorporation which itself requires shareholder approval. As permitted by Delaware law and our Certificate of Incorporation, the Company has received a written consent from the majority stockholders of the Company approving

the Shareholder Action. The Shareholder Action will not become effective until at least 20 calendar days following the date of mailing of our Information Statement to our shareholders. The date of the mailing was November 2, 2009. Other regulatory conditions also apply and our projected effective date of these changes will be in December, 2009.

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 September 30, 2009 and December 31, 2008 are classified as follows:

<u>Inventory Class</u>	<u>2009</u>	<u>2008</u>
Finished Product	\$ 76,008	\$ 34,550
Manufacturing Materials	14,903	63,925
Goods in Process	<u> -</u>	<u> 11,020</u>
Total	\$ 90,911	\$ 109,495

Fixed Assets Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is computed on a straight-line basis. As a result of the closure of our brewing facility, we expensed an impairment charge to fixed assets of \$82,730 in 2008. We retained an independent equipment broker to sell our brewery equipment and paid him a 10% commission on all completed transactions. In May 2009, we entered into an agreement to sell the majority of our brewing equipment for \$170,000 and completed the transaction in June 2009. Our property and equipment held for sale was fairly valued at \$7,061 and \$152,590 as of September 30, 2009 and December 31, 2008, respectively.

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, inventory valuation, amortization, impairment of assets and the carrying value of our marketable securities. 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 September 30, 2009 and December 31, 2008, 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 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 in August 2005 are being amortized over a 5-year period. In addition, we have capitalized an additional \$8,185 in costs associated with the development of our registered trademark portfolio that are also being amortized over a 5-year period.

Recent Accounting Pronouncements - There were various accounting standards and interpretations issued during 2009 and 2008, 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 a net working capital deficit and is in default on significant commitments, which raise substantial doubt about the Company's ability to continue as a going concern.

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. Restatement of Previously Issued Consolidated Financial Statements

On December 31, 2008, John C. Power, the Company's CEO and significant shareholder, forgave \$191,800 of debt and accrued interest. The Company originally recorded this amount as a gain on debt forgiveness in its consolidated statements of operations. Forgiveness of debt and accrued interest by a related party should be accounted for as a contribution of capital and accordingly, the Company has restated its 2008 consolidated financial statements to reflect this \$191,800 increase in net loss and \$191,800 increase in additional paid-in capital, summarized as follows:

Consolidated Balance Sheet Effects of 2008 Restatement :

	Originally <u>Reported</u>	December 31, 2008 <u>Restatement</u>	<u>Restated Amount</u>
Total Assets	\$ 514,091	\$ -	\$ 514,091
Total Liabilities	1,934,318	-	1,934,318
Stockholders' Equity:			
Preferred stock	30	-	30
Common stock	340	-	340
Additional paid-in capital	1,706,215	191,800	1,898,015
Accumulated (deficit)	<u>(3,126,812)</u>	<u>(191,800)</u>	<u>(3,318,612)</u>
Total Liabilities and Stockholders' Deficit	\$ 514,091	\$ -	\$ 514,091

On June 15, 2009, John C. Power and three other significant shareholders forgave \$139,295 of debt and accrued interest payable. The Company originally recorded this amount as a gain on debt forgiveness in its consolidated statements of operations. Forgiveness of debt and accrued interest by a related party should be accounted for as a contribution of capital and accordingly, the Company has restated its September 30, 2009 consolidated financial statements to reflect this \$139,295 decrease in net income and \$139,295 increase in additional paid-in capital, summarized as follows:

*Consolidated Statement of Operations Effects of 2009 Restatement:***Consolidated Statement of Operations for the Nine Months Ended September 30, 2009**

Originally			Restated
<u>Reported</u>	<u>Restatement</u>	<u>Reclassifications</u>	<u>Amount</u>

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			(a)	
Revenues	\$ 156,174	\$ -	\$ -	\$ 156,174
Cost of sales	150,942	-	-	150,942
Gross profit	5,232	-	-	5,232
Operating (expenses) applicable to continuing operations	(259,245)	-	84,922	(174,323)
Other income (expense) applicable to continuing operations	203,323	(139,295)	(84,922)	(20,894)
Income (loss) from continuing operations	(50,690)	(139,295)	-	(189,985)
Income from discontinued operations	9,251	-	-	9,251
Net income (loss)	\$ (41,439)	\$ (139,295)	\$ -	\$ (180,734)
Preferred dividends	-	---	-	-

Net income (loss) attributable to common shareholders	\$ (41,439)	\$ (139,295)	\$ -	\$ (180,734)
Basic and diluted net income (loss) per share	\$ 0.00	\$ (0.01)	\$ -	\$ (0.02)
Net income (loss) attributable to continuing operations	\$ (50,690)	\$ (139,295)	\$ -	\$ (189,985)
Basic and diluted net income (loss) per share	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.02)
Net income attributable to discontinued operations	\$ 9,251	\$ -	\$ -	\$ 9,251
Basic and diluted net income per share	\$ 0.00	\$ -	\$ -	\$ 0.00
Basic and diluted weighted average shares outstanding	9,969,768	-	-	9,969,768

(a)

Certain amounts have been reclassified in the nine months ended September 30, 2009 consolidated financial statements to conform to the 2009 consolidated financial statements included in the Company's 2009 Form 10-K filed on May 4, 2010. Such reclassifications had no effect on the Company's nine months ended September 30, 2009 net loss.

Consolidated Balance Sheet Effects of 2008 and 2009 Restatement:

Consolidated Balance Sheet as of September 30, 2009

	<u>Originally Reported</u>	<u>Restatement</u>	<u>Reclassifications</u>	<u>Restated Amount</u>
Total Assets	\$ 160,329	\$ -	\$ -	\$ 160,329
Total Liabilities	1,112,630	-	-	1,112,630
Stockholders' Equity:				
Common stock	2,000	-	-	2,000
Additional paid-in capital	2,213,950	331,095	-	2,545,045
Accumulated (deficit)	<u>(3,168,251)</u>	<u>(331,095)</u>	<u>-</u>	<u>(3,499,346)</u>
	\$ 160,329	\$ -	\$ -	\$ 160,329

Total Liabilities and
Stockholders Deficit

Consolidated Statement of Cash Flows Effects of 2009 Restatement:

Consolidated Statement of Cash Flows for the nine months ended September 30, 2009

	<u>Originally Reported</u>	<u>Restatement</u>	<u>Reclassifications</u> (a)	<u>Restated Amount</u>
Cash Flows from Operating Activities:				
Net income (loss)	\$ (41,439)	\$ (139,295)	\$ -	\$ (180,734)
Net cash from (used in) operating activities	(256,385)	-	281,356	24,971
Net cash from (used in) investing activities	235,500	-	(85,841)	149,659
Net cash from financing activities	<u> -</u>	<u> -</u>	<u>(195,515)</u>	<u>(195,515)</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ (20,885)	-	-	\$ (20,885)
Cash and Cash Equivalents, beginning of period	<u>21,201</u>	<u> -</u>	<u> -</u>	<u>21,201</u>
Cash and Cash Equivalents, end of period	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316</u>

(a) Certain amounts have been reclassified in the September 30, 2009 consolidated financial statements to conform to the 2009 consolidated financial statements included in the Company's 2009 Form 10-K filed on May 4, 2010. Such reclassifications had no effect on the Company's nine months ended September 30, 2009 net loss.

3 .. Marketable Securities

In 2008, we formed a wholly-owned Washington subsidiary, Golden West Brewing, Inc. which is engaged in the business of investing in speculative securities. Marketable securities owned as of September 30, 2009 have a market value of \$16,021. Security transactions, recognizing fluctuations in market values, have resulted in net gains of \$ 6,383 and \$ 86,694 during the three and nine month periods ending September 30, 2009.

4 .. Lines of Credit, Advances and 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 accrued interest at the rate of 9% per annum, was payable in monthly payments of principal and interest based upon a five year amortization, was due in full March, 2008. As of September 30, 2009, the principal balance of the Power Curve, Inc. note was \$2,000 with accrued interest of \$7,965. The other notes and all accrued interest have been paid from the proceeds of equipment sales.

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 matured 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 September 30, 2009, these notes had current maturities of \$131,700 and \$90,000 respectively and had accrued interest of \$24,039 and \$18,225 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 September 30, 2009 the note had accrued interest of \$5,294.

During the twelve months ended December 31, 2007, 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, 2007, 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 matured on December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. On December 31, 2008 John Power forgave the \$115,000 debt, plus \$ 16,100 in accrued interest, and Power Curve forgave \$55,000 of its debt, plus the \$5,700 portion of accrued interest. Consequently, as of September 30, 2009, these notes had current maturities of \$0 and \$100,000 respectively and had accrued interest of \$0 and \$22,000 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 and significant shareholder ("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 and significant shareholder ("Webquest") an advance owed to Power by the Company in the amount of \$112,500.

3.

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.

Effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from \$0.75 per share to \$0.04 per share. Both of Shana Capital and Webquest agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company's common stock at the revised conversion price.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture was \$30,000 and was not collateralized and was repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture was convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.60 per share. On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company's legal counsel, pursuant to which Clifford L. Neuman, PC agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock in satisfaction of \$70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and \$30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The shares were valued at \$0.04 per share.

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 was guaranteed by John C. Power, the Company's Chief Executive Officer. As of September 30, 2009, the balance of this note and all accrued interest was paid in full.

Effective December, 2008, GWB-WA issued a note in the principal amount of \$200,000 to evidence a note. The note accrues interest at the rate of 6% per annum and was due and payable, in full, on December 31, 2009. The note was convertible, at the option of the holder, into shares of the Company's common stock at a conversion price equal to \$0.10 per share. The note was collateralized by the marketable securities held by GWB-WA and 100% of the common stock of GWB-WA. The note was issued to a significant shareholder. The fair value of the beneficial conversion feature applicable to this note represents deferred financing fees and was valued using the Black Scholes pricing model at the date the note was issued. The total value of the beneficial conversion was \$75,630 and was credited to additional paid-in capital and charged to deferred financing fees.

On June 15, 2009, the Company entered into an Agreement to Convert part of this debt with the share holder, pursuant to which the share holder agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock in satisfaction of \$83,250 in principal amount owed. All accrued and unpaid interest applicable to the \$83,250 as of June 15, 2009 was waived and forgiven. The shares were valued at \$0.04 per share and the Company recorded a gain of the forgiveness of principal debt in the amount of \$16,650 applicable to principal and \$1,972 applicable to interest payable; these amounts are recorded as additional paid-in capital in our restated consolidated financial statements. In addition, GWB-WA agreed to repay the remaining \$100,000 in principal amount in full by June 30, 2009. During the three months ended September 30, 2009, principal payments of \$70,000 were paid leaving a principal balance and accrued interest of \$30,000 and \$ 4,520, respectively.

On April 28, 2009, Butte Creek Brands, LLC, a Delaware limited liability company (BCB) a wholly-owned subsidiary of GWB-CA, itself a wholly-owned subsidiary of GWB entered into two loans, each evidenced by a Promissory Note (the Notes) pursuant to which BCB borrowed from each of Clifford L. Neuman and John C. Power the principal amount of \$24,000. The Notes were due and payable July 31, 2009 and have been restructured as demand notes. Each Note is secured by a Security Agreement covering GWB-CA's accounts receivable and the filing of a Uniform Commercial Code financing statement. The Note in favor of Mr. Neuman is further secured by a personal guaranty of John C. Power. As of September 30, 2009, the balances on these notes were \$19,000 to Neuman plus accrued interest of \$1,387 and \$10,000 to Power.

During the years ended December 31, 2007 and 2008, an affiliate of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2008 and September 30, 2009 in the amounts of \$107,425 and \$57,181, respectively. The advances are uncollateralized and due on demand and had total accrued interest of \$18,000 and \$1,181 as of December 31, 2008 and September 30, 2009, respectively. On June 15, 2009, the Company entered into an Agreement to Convert Debt with the affiliate of Mr. Power, pursuant to which the affiliate agreed to accept, and the Company agreed to issue, 1,070,475 shares of common stock in satisfaction of \$42,189 in principal amount owed by this affiliate. All accrued and unpaid interest applicable to these advances as of March 31, 2009 was waived and forgiven. The shares were valued at \$0.04 per share and the Company recorded a gain of the forgiveness of debt in the amount of \$21,000 applicable to interest payable; this amount was recorded as additional paid-in capital in our restated consolidated financial statements.

During the nine months ended September 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company which has a balance of \$58,750. The advances were uncollateralized and due on demand.

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 terminated 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 was 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 Agreement which terminated on December 31, 2008. The total value of the beneficial conversion features applicable to advances under the Credit Agreement during 2008 and 2007 representing deferred financing fees were \$105,660 and \$95,270, respectively, which were credited to additional paid-in capital and charged to deferred financing fees associated with the advances under this Agreement.

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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 collateralized by a senior lien and security interest in the Company's tangible and intangible assets.

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the Credit Agreement with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock in satisfaction of \$343,000 in principal amount owed under a Credit Agreement. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of \$68,600 in principal and \$31,072 in accrued interest payable; these amounts were recorded as additional paid-in capital in our restated consolidated financial statements.

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 14.25% as of September 30, 2009. 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 September 30, 2009 was \$21,144 in principal and \$2,277 of accrued interest payable, or \$23,421 total.

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 27.98%. The debt on the credit card was uncollateralized but guaranteed by Tom Atmore, our former general manager. In 2009, the lender agreed to a payment of \$2,000 as payment in full and forgave the remaining balance of \$7,193.

Notes Payable	Current	Long-Term	Accrued	Interest	Maturity	
September 30, 2009	Portion	Portion	Interest	Rate	Date	Collateralized
Lines of Credit						
Wells Fargo (Atmore)	\$ 21,144	-	\$ 2,277	14.25%	Demand	No
TOTAL	<u>\$ 21,144</u>	<u>-</u>	<u>\$ 2,277</u>			
Notes Payable - Related Parties						
Power Curve, Inc. #1	\$ 2,000	-	\$ 7,965	9%	Sep., 2008	Yes
Power Curve, Inc. #2	90,000	-	18,225	9%	Dec., 2008	Yes
Power Curve, Inc. #3	100,000	-	22,000	8%	Dec., 2008	Yes
John C. Power #1	131,700	-	24,039	9%	Dec., 2008	Yes
John C. Power BCB, LLC	10,000	-	-		Demand	
John Gibbs	30,000	-	4,520	6%	Dec., 2009	Yes

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Cliff Neuman BCB, LLC	19,000	-	1,387	15%	Demand	Yes
Sea Ranch Lodge & Village	<u>52,181</u>	<u>-</u>	<u>1,181</u>	12%	Demand	No
TOTAL	<u>\$434,881</u>	<u>-</u>	<u>\$79,317</u>			

Notes Payable - Unaffiliated

B. Detweiller	\$ 8,136	-	5,457	8%	Demand	No
BRK Holdings, LLC	<u>17,950</u>	<u>-</u>	<u>3,847</u>	12.246%	Nov., 2008	No
	<u>\$26,086</u>	<u>\$-</u>	<u>\$ 9,304</u>			

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

5 .. Related Party Transactions

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 accrued interest at the rate of 9% per annum, was payable in monthly payments of principal and interest based upon a five year amortization, was due in full March, 2008. As of September 30, 2009, the principal balance of the Power Curve, Inc. note was \$2,000 with accrued interest of \$7,965. The other notes and all accrued interest have been paid from the proceeds of equipment sales.

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 matured 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 September 30, 2009, these notes had current maturities of \$131,700 and \$90,000 respectively and had accrued interest of \$24,039 and \$18,225 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 September 30, 2009 the note had accrued interest of \$ 5,457 ..

During the twelve months ended December 31, 2007, 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, 2007, 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 matured on December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. On December 31, 2008 John Power forgave the \$115,000 debt, plus \$ 16,100 in accrued interest, and Power Curve forgave \$55,000 of its debt, plus the \$5,700 portion of accrued interest. Consequently, as of September 30, 2009, these notes had current maturities of \$0 and \$100,000 respectively and had accrued interest of \$0 and \$22,000 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 and significant shareholder ("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 and significant shareholder ("Webquest") an advance owed to Power by the Company in the amount of \$112,500.

3.

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.

Effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from \$0.75 per share to \$0.04 per share. Both of Shana Capital and Webquest agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company's common stock at the revised conversion price.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture was \$30,000 and was not collateralized and was repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture was convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.60 per share. On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company's legal counsel, pursuant to which Clifford L. Neuman, PC agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock in satisfaction of \$70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and \$30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The shares were valued at \$0.04 per share.

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 was guaranteed by of John C. Power, the

Company's Chief Executive Officer. As of September 30, 2009, the balance of this note and all accrued interest was paid in full.

Effective December, 2008, GWB-WA issued a note in the principal amount of \$200,000 to evidence a note. The note accrues interest at the rate of 6% per annum and was due and payable, in full, on December 31, 2009. The note was convertible, at the option of the holder, into shares of the Company's common stock at a conversion price equal to \$0.10 per share. The note was collateralized by the marketable securities held by GWB-WA and 100% of the common stock of GWB-WA. The note was issued to a significant shareholder. The fair value of the beneficial conversion feature applicable to this note represents deferred financing fees and was valued using the Black Scholes pricing model at the date the note was issued. The total value of the beneficial conversion was \$75,630 and was credited to additional paid-in capital and charged to deferred financing fees.

On June 15, 2009, the Company entered into an Agreement to Convert part of this debt with the share holder, pursuant to which the share holder agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock in satisfaction of \$83,250 in principal amount owed. All accrued and unpaid interest applicable to this \$83,250 as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain of the forgiveness of debt in the amount of \$16,650 applicable to principal and \$1,972 applicable to interest payable; these amounts were recorded as additional paid-in capital in our restated consolidated financial statements. In addition, GWB-WA agreed to repay the remaining \$100,000 in principal amount in full by June 30, 2009.

During the three months ended September 30, 2009, principal payments of \$70,000 were paid leaving a principal balance and accrued interest of \$30,000 and \$ 4,520, respectively.

On April 28, 2009, Butte Creek Brands, LLC, a Delaware limited liability company (BCB) a wholly-owned subsidiary of GWB-CA, itself a wholly-owned subsidiary of GWB entered into two loans, each evidenced by a Promissory Note (the Notes) pursuant to which BCB borrowed from each of Clifford L. Neuman and John C. Power the principal amount of \$24,000. The Notes were due and payable July 31, 2009 and have been restructured as demand notes. Each Note is secured by a Security Agreement covering GWB-CA's accounts receivable and the filing of a Uniform Commercial Code financing statement. The Note in favor of Mr. Neuman is further secured by a personal guaranty of John C. Power. As of September 30, 2009, the balances on these notes were \$19,000 to Neuman plus accrued interest of \$1,387 and \$10,000 to Power.

During the years ended December 31, 2007 and 2008, affiliates of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2008 and September 30, 2009 in the amounts of \$107,425 and \$57,181, respectively. The advances are uncollateralized and due on demand and had total accrued interest of \$18,000 and \$1,181 as of December 31, 2008 and September 30, 2009, respectively. On June 15, 2009, the Company entered into an Agreement to Convert Debt with the affiliate of Mr. Power, pursuant to which the affiliate agreed to accept, and the Company agreed to issue, 1,070,475 shares of common stock in satisfaction of \$42,189 in principal amount owed by this affiliate. All accrued and unpaid interest applicable to these advances as of March 31, 2009 was waived and forgiven. The shares were valued at \$0.04 per share and the Company recorded a gain of the forgiveness of debt in the amount of \$21,000 applicable to interest payable; this amount was recorded as additional paid-in capital in our restated consolidated financial statements.

During the nine months ended September 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company which has a balance of \$58,750. The advances were uncollateralized and due on demand.

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 terminated 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 was 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 Agreement which terminated on December 31, 2008. The total value of the beneficial conversion features applicable to advances under the Credit Agreement during 2008 and 2007 representing deferred financing fees were \$105,660 and \$95,270, respectively, which were credited to additional paid-in capital and charged to deferred 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 collateralized by a senior lien and security interest in the Company's tangible and intangible assets.

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock in satisfaction of \$343,000 in principal amount owed under a Credit Agreement. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of \$ 68,600 in principal and \$31,072 in accrued interest payable; these amounts were recorded as additional paid-in capital in our restated consolidated financial statements.

These related party transactions have not been evaluated for fairness.

5. 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.

On February 9, 2009, BRK Holdings, LLC (landlord) filed suit against the Company for delinquent rent of \$14,904 and legal fees of \$800. The Company negotiated a settlement that allowed continued possession of the premises by paying rent on a month-to-month basis. The Company paid rent from March - July 2009 and vacated the premises in August 2009. The Company is still liable for the delinquent rent amount of \$14,904, legal fees of \$800 and also, may still be liable for other unpaid or future rents due under the lease.

7 .. Commitments & Contingencies*Delinquent Taxes*

At September 30, 2009, the Company had outstanding payroll tax liabilities of \$48,527. Of these amounts \$43,701 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 September 30, 2009, the Company had alcohol related taxes payable to federal and state taxing authorities of \$3,742. The detail of those taxes payable is as follows:

<u>Tax Agency</u>	September 30, 2009		
	<u>Due</u>	<u>Delinquent</u>	
Internal Revenue Service	\$ 46,857	\$ 42,622	PAYROLL TAXES
CA Employment Development Department	\$ 1,670	\$ 1,079	PAYROLL TAXES
Federal Tax and Trade Bureau	\$ 4,106	\$ 2,706	EXCISE TAX
CA Board of Equalization	\$ (364)	\$ 0	EXCISE TAX
CA Board of Equalization	\$ 0	\$ 0	SALES AND USE TAX
CA Department of Conservation	\$ 24,190	\$ 24,190	CRV TAX
CA Franchise Tax Board	\$ 6,600	\$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	\$ 3,558	\$ 3,558	PROPERTY TAXES

A portion 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.

There are two material legal proceedings in which either we or any of our affiliates were involved in 2009 which could have a material adverse effect on our business, financial condition or future operations.

On January 6, 2009, Capital Beverage Co. and Capital Coors Co. (Capital) filed suit against Crown Imports LLC, Butte Creek Brewing Company and Bison Brewing Company alleging that the defendants had unlawfully cancelled their distribution contracts with Capital. A Settlement Agreement was reached in July 2009 that required no consideration to Capital and the mutual acknowledgement that the distribution agreement between Capital and Butte Creek was in fact cancelled.

On February 9, 2009, BRK Holdings, LLC (landlord) filed suit against the Company for delinquent rent of \$14,904 and legal fees of \$800. The Company negotiated a settlement that allowed continued possession of the premises by

paying rent on a month-to-month basis. The Company paid rent from March - July 2009 and vacated the premises in August 2009. The Company

is still liable for the delinquent rent amount of \$14,904, legal fees of \$800 and also, may still be liable for other unpaid or future rents due under the lease.

8 .. Common and Preferred Stock:

PREFERRED STOCK

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 and significant shareholder (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 and significant shareholder (Webquest) an advance owed to Power by the Company in the amount of \$112,500.
- 3 .. 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.

Effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from \$0.75 per share to \$0.04 per share. Both of Shana Capital and Webquest agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company s common stock at the revised conversion price.

COMMON STOCK

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 19,300 shares were issued in 2008 under this agreement. As of September 30, 2009, the Company has borrowed \$343,000 under the Credit Agreement and has issued an aggregate of 34,300 shares of common stock as a financing fee.

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock in satisfaction of \$343,000 in principal amount owed under a Credit Agreement .. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of \$ 68,600 in

principal and \$31,072 in accrued interest payable; these amounts were recorded as additional paid-in capital in our restated consolidated financial statements. This investor group included several related parties.

On January 15, 2008, the Company issued a 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 was convertible at the option of the holder into shares of common stock at a conversion price equal to \$0.60 per share. On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company's legal counsel, pursuant to which Clifford L. Neuman, PC agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock in satisfaction of \$70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and \$30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The shares were valued at \$0.04 per share.

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.

In September 2008, the Company issued an aggregate of 21,225 shares to three unrelated individuals at \$0.30 per share as settlement of an unpaid trade payable.

In 2008, the Company granted and issued an aggregate of 24,000 shares of common stock: 12,000 to its President, Mark Simpson; and, 12,000 shares to its Chief Financial Officer of a wholly-owned subsidiary. The shares were issued for services for the 12 month period ended December 31, 2008.

On June 15, 2009, the Company entered into an Agreement to Convert Debt with an entity controlled by John C. Power, pursuant to which the entity agreed to accept, and the Company agreed to issue, 1,070,475 shares of common stock in satisfaction of \$42,819 in principal. All accrued and unpaid interest applicable to these advances as of March 31, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain of the forgiveness of debt in the amount of \$21,000 applicable to interest payable; this amount was recorded as additional paid-in capital in our restated consolidated financial statements.

On June 15, 2009, the Company entered into an Agreement to Convert Debt with an related party investor, pursuant to which the investor agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock in satisfaction of \$83,250 in principal amount owed by the significant investor. All accrued and unpaid interest applicable to this \$ 83,250 as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of \$16,650 applicable to principal and \$1,972 applicable to interest payable; these amounts were recorded as additional paid-in capital in our restated consolidated financial statements.

The Company had previously issued an aggregate of 300,000 shares of Series A Convertible Preferred Stock to two significant shareholders and, effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from \$0.75 per share to \$0.04 per share. Both of the shareholders agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company's common stock at the revised conversion price.

The Board has unanimously approved, that the Company undertake a one-for-ten (1-for-10) Reverse Split of our outstanding shares of Common Stock and outstanding options, warrants and other rights convertible into shares of Common Stock. As permitted by Delaware law and our Certificate of Incorporation, the Company has received a written consent from the majority stockholders of the Company approving the Reverse Split. Additionally, our Board of Directors has unanimously approved an increase in our authorized shares from 20,000,000 shares of common stock to 100,000,000 shares of common stock (the Share Increase). Our authorized capital of 5,000,000 shares of preferred stock will remain unchanged. The Reverse Stock Split and share increase will not become effective until at least 20 calendar days following the date of mailing of our Information Statement to our shareholders. The date of the mailing was November 2, 2009. Other regulatory conditions also apply and our projected effective date of these changes will be in December, 2009.

9 .. Income Taxes

The Company has an estimated net operating loss carry forward of approximately \$ 3,381,838 (restated) as of December 31, 2008, 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:

	Nine Months Ended September 30, 2009 <u>(Restated)</u>	As of December 31, 2008 <u>(Restated)</u>
Net operating gain (losses) carry forward	\$ (180,734)	\$ (3,381,838)
Effective Tax rate	37.5%	37.5%
Deferred income tax asset	67,775	1,268,189
Deferred income tax allowance	<u>(67,775)</u>	<u>(1,268,189)</u>
Net deferred income tax asset	<u>\$ -</u>	<u>\$ -</u>

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	(34.0)%
State tax (benefit) net of Federal benefit	(3.5) %
Valuation allowance	<u> 37.5%</u>
Tax provision (benefit)	<u> -</u>

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 were 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 expense for the three and nine month periods ended September 30, 2009 was \$0 and \$4,126, respectively.

The options were granted to five persons who served as directors, employees or consultants to the Company.

Presently only one of the five original recipients is still with the Company. The one remaining option holder still with the Company has 50,000 options that are now fully-vested. All of the other options have expired except for 75,000 options that were vested to Scott Burchell as part of his separation agreement with the Company. The options held by Burchell will expire on August 8, 2011. 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 September 30, 2009:

Options outstanding at December 31, 2007	400,000
Granted	-
Exercised	-
Forfeitures	<u>(275,000)</u>
Options outstanding at December 31, 2008	<u>125,000</u>
Options outstanding at September 30, 2009	<u>125,000</u>

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Contractual Life</u>	<u>Price</u>	<u>Number Exercisable</u>
\$0.50	350,000	5 years	\$0.50	125,000

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 life	6.4 years
Dividend rate	0%
Expected volatility	75%
Risk-free interest rate	4.85%

All of our 20,000,000 authorized common shares have been issued. Presently, we do not have any unauthorized common shares available should any of our employee stock options be exercised ..

11 .. Subsequent Events:

Subsequent to September 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company that were subsequently repaid in full. The advances were uncollateralized and due on demand.

On November 2, 2009, the Company mailed to its stockholders the Information Statement referred to in Notes 1 and 8 regarding a 10:1 reverse split, change in capital structure and name change. It is anticipated these changes will be

effective in December 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations (MD&A) gives effect to the restatement discussed in Note 2 of the Notes to the Consolidated Financial Statements.

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. In January 2009, we discontinued operations at our brewery in Chico, California and entered into a contract brewing agreement through our 100% owned subsidiary to brew our beers at Mendocino Brewing Company in Ukiah, California. Butte Creek specializes in brewing and marketing certified organic craft beers. We face numerous operational challenges. The following are the key issues and challenges facing the Company:

- * Sales. Our shortage of working capital has forced us to reduce inventories and new products. Our closure of our brewing facility in Chico, California has negatively impact our sales as we transitioned to a contract brewing model. Furthermore, we discontinued all of our contract brewing for other customers. We expect sales in 2009 to be significantly below our 2008 sales as we transition to our new model. We are seeking financing to build inventory and sales. Our new contract facility produced our Organic IPA and Pale Ale in March, 2009 that wasn't available to our distributors until April, 2009. Our Organic Pilsner and Porter wasn't produced until May, 2009 and wasn't available to our distributors until June, 2009. We have not had the capital to produce our higher margin specialty products which has negatively impacted sales and gross margin. We have not had the capital to produce our ales and lagers in kegs which has negatively impacted sales and gross margin.
- * Increase Gross Profit Margin. Our goal is to increase our gross profit margin to 20% of sales. We have not been able to raise prices in 2009 as expected due to the weak economic climate. A price increase will almost certainly decrease our gross sales. We believe the conversion from an operating brewery to a contract model will help us increase our gross profit margin in 2009. We have not been able to achieve this goal yet but believe it is achievable in 2010.
- * Control Selling, General & Administrative Expenses. As a result of converting to a contract brewing model, we have been able to reduce our selling and G&A expenses. We have eliminated most of our controllable expenses. As of October 1, 2009, we had no full-time employees and hire out all necessary tasks to qualified independent contractors.

- * Working Capital Shortage. Our history of working capital deficiencies make it difficult to raise capital to build inventory. We owe delinquent taxes to the IRS and several Federal and State agencies. We have only been able to secure loans to make a minimum amount of inventory.
- * 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 believe that our contract brewing model has reduced our losses from operations in 2009.
- * Lack of Inventory Controls. Historically our inventory controls have been weak. In 2009, all of our inventory has been maintained at independent warehouses. We believe this has improved our inventory control.

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 three and nine month periods ended September 30, 2009 and should be read in conjunction with the Notes of our unaudited financial statements for the same period. We were a development stage entity prior to our acquisition of Butte Creek on August 31, 2005.

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.

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 three months ended September 30, 2009 compared to the three months ended September 30, 2008:

REVENUES Gross Revenues and Revenues net of excise taxes (Net Revenues) were \$50,879 and \$40,933, respectively, for the three months ended September 30, 2009. Net Revenues decreased \$91,156 or 69% as compared to net revenues of \$132,089 for the three months ended September 30, 2009. Our lack of working capital and inability to maintain a qualified sales force and adequate inventory levels of all of our key products was the primary cause of our decrease in sales. Furthermore, we closed our brewery in January 2009 and eliminated all of our revenues from contract brewing.

COST OF GOODS SOLD. Cost of goods sold for the three months ended September 30, 2009 was \$43,766 or 86% of beer sales compared to \$155,246 or 111.2% of beer sales for the three months ended September 30, 2008. Our Cost of Goods Sold as a percentage of sales decreased as we converted our production into a contract brewing facility and ceased production at our Chico, California facility.

GROSS PROFIT Gross profit for the three months ended September 30, 2009 was \$(2,833) or (6.9)% of net revenues compared to \$(23,156) or (17.5)% of net revenues for the three months ended September 30, 2008. Our Gross Profit decreased due to our significant reduction of sales.

OPERATING EXPENSES Total operating expenses decreased \$ 59,341 or 54 % to \$50,599 for the three months ended September 30, 2009. Components of operating expenses were:

- * Amortization expense was \$1,250 for the three months ended September 30, 2009 compared to \$1,586 for the three months ended September 30, 2008.
- * Management compensation was \$0 for the three months ended September 30, 2009 compared to \$17,890 for the three months ended September 30, 2008. The decrease was related to a reduction of salaried employees.
- * Selling expense was \$3,121 for the three months ended September 30, 2009 compared to \$32,592 for the three months ended September 30, 2008. We aggressively reduced our selling expense as we did not have sufficient inventory levels to warrant selling efforts in the quarter. We reduced our trade show, travel expenses and all discretionary selling expenses.
- * Legal and Accounting expense was \$24,797 for the three months ended September 30, 2009 compared to \$18,891 for the three months ended September 30, 2008. The costs associated with maintaining our SEC filings were the primary reason for the increase.
- * Stock Based Compensation was \$ (2,550) for the three months ended September 30, 2009 compared to \$3,338 for the three months ended September 30, 2008.
- * Other General & Administrative Operating Expenses decreased \$11,662 or 33% to \$23,981 for the three months ended September 30, 2009 compared to \$35,643 for three months ended September 30, 2008.

OTHER INCOME & EXPENSE (RESTATED) .. Net other income and expense decreased by \$ 34,846 to a net expense of \$5,733 for the three months ended September 30, 2009 compared \$40,579 for the three months ended September 30, 2008. The decrease in net expense was primarily the result of \$0 of amortization of deferred financing costs during the three months ended September 30, 2009 as compared to \$55,073 during the same period in 2008 ..

LOSS FROM CONTINUING OPERATIONS (RESTATED). The loss from continuing operations for the three months ended September 30, 2009 decreased \$114,511 or 66% to \$59,165 compared to \$173,676 for the three months ended September 30, 2008. The primary reason for the reduced loss was our substantial reduction in operating expenses.

DISCONTINUED OPERATIONS. In the first quarter of 2009 the company closed its manufacturing facility in Chico, CA and entered into a three (3) year contract with Mendocino Brewing Company, Inc. to outsource the production of our certified organic beers. During the second quarter 2009 the company sold most of its brewing equipment. As a result, the company had a loss from discontinued operations for the three months ended September 30, 2009 of \$12,844 compared to a loss for discontinued operations of \$45,094 for the comparable period in 2008.

NET INCOME (LOSS) (RESTATED) .. Net loss decreased \$146,761 or 67% to a loss of \$72,009 for the three months ended September 30, 2009 compared to a loss of \$218,770 for the three months ended September 30, 2008.

The reduction in our net loss was primarily the result of changing our model to a contract brewing model and closing our Chico, California production facility.

For the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008:

REVENUES Gross revenues and revenues net of excise taxes (Net revenues) were \$169,848 and \$156,174, respectively, for the nine months ended September 30, 2009. Net Revenues were decreased \$526,035 or 77% as compared to net revenues of \$682,209 for the nine months ended September 30, 2008. Our lack of working capital and inability to maintain adequate inventory was the primary cause of our decrease in sales. Furthermore, we closed our brewery in January 2009 and eliminated all of our contract brewing sales. It also took longer to commence outsourcing of our production than we had anticipated.

COST OF GOODS SOLD Cost of goods sold for the nine months ended September 30, 2009 was \$150,942 or 88.9% of beer sales compared to \$630,767 or 88.1% of beer sales for the nine months ended September 30, 2008. Our Cost of Goods Sold as a percentage of sales increased due to higher prices for raw materials and a substantial decrease in our production due to the closure of our brewing facility in January 2009

GROSS PROFIT Gross profit for the nine months ended September 30, 2009 was \$5,232 or 3.4% of net revenues compared to \$51,442 or 7.5% of net revenues for the nine months ended September 30, 2008. Our Gross Profit decreased due to our significant reduction of sales and our higher Cost of Goods Sold as described above

OPERATING EXPENSES Total operating expenses decreased \$ 148,267 or 46 % to \$ 174,323 for the nine months ended September 30, 2008. Components of operating expenses were:

- * Amortization expense was \$3,750 for the nine months ended September 30, 2009 compared to \$4,759 for the nine months ended September 30, 2008.
- * Management compensation was \$11,250 for the nine months ended September 30, 2009 compared to \$77,854 for the nine months ended September 30, 2008. The decrease was related to a reduction of salaried employees.
- * Selling expense was \$12,991 for the nine months ended September 30, 2009 compared to \$96,714 for the nine months ended September 30, 2008. We aggressively reduced our selling expense as we did not have sufficient inventory levels to warrant selling efforts during the period .. We reduced our trade show, travel expenses and all discretionary selling expenses.
- * Legal and Accounting expense was \$85,148 for the nine months ended September 30, 2009 compared to \$84,605 for the nine months ended September 30, 2009.
- * Stock Based Compensation was \$4,126 for the nine months ended September 30, 2009 compared to \$10,014 for the nine months ended September 30, 2008.
- * Other General & Administrative Operating Expenses increased \$8,414 or 17.3% to \$57,058 for the nine months ended September 30, 2009 compared to \$48,644 for nine months ended September 30, 2008.

OTHER INCOME & EXPENSE (RESTATED) .. Net other expense decreased by \$ 173,583 to \$ 20,894 for the nine months ended September 30, 2009 compared to a net other expense of \$ 194,477 for the nine months ended

September 30, 2008. The decrease was primarily the result of a gain on marketable securities of \$ 86,694 as compared to \$0 in the comparable period in 2008 as we did not begin investing in marketable securities until the fourth quarter of 2008. Also, net other expense decreased due to a decrease in amortization of deferred financing costs and a decrease in interest expense of \$57,078 and \$36,639, respectively, due to significant reductions in our level of debt during the second quarter of 2009.

LOSS FROM CONTINUING OPERATIONS (RESTATED). The loss from continuing operations for the nine months ended September 30, 2009 decreased \$275,640 or 59% to \$189,985 compared to \$465,625 for the nine months ended September 30, 2008. The primary reasons for the decreased loss from continuing operations was our \$148,267 decrease in operating expense and our \$173,583 decrease in net other expense, offset by a \$46,210 decrease in gross profit as described above..

DISCONTINUED OPERATIONS. In the first quarter of 2009 the company closed its manufacturing facility in Chico, CA and entered into a three (3) year contract with Mendocino Brewing Company, Inc. to outsource the production of our certified organic beers. During the second quarter of 2009, the Company sold most of its brewing equipment. As a result, the Company had a gain from discontinued operations of for the nine months ended September 30, 2009 of \$9,251 compared to a loss for discontinued operations of \$190,227 for the comparable period in 2008.

NET INCOME (LOSS) (RESTATED) .. Net loss decreased \$ 475,118 to a net loss of \$ 180,734 for the nine months ended September 30, 2009 compared to a loss of \$655,852 for the nine months ended September 30, 2008. The reduction in our net loss was primarily the result of the \$199,478 decrease in loss from discontinued operations resulting from the closure of our brewery and sale of brewery equipment and the \$275,640 decrease in our loss from continuing operations reduced operating expenses, reduced debt servicing costs and a gain on marketable securities.

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 a working capital deficit of \$974,208 at September 30, 2009. Our total debt, all short-term, was \$ 548,591 at September 30, 2009. 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. There are no assurances that we will be able to secure additional capital to maintain operations.

In January 2009, we discontinued brewing operations at our Chico, California brewery. In February 2009, we entered into a three (3) year contract brewing agreement with an unrelated brewery located in California and as a result will outsource the brewing and bottling of all our beers in 2009. This transition to a contract brewing model will require a significant investment in inventory. As of September 30, 2009, we have only had sufficient working capital to brew our Organic IPA, Organic OPA, Organic Pilsner and Organic Porter under the contract brewing arrangement signed in February 2009. There are no assurances that we will have enough working capital to maintain sufficient inventory in the future.

During the three months ended September 30, 2009, the Company had no capital expenditures.

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 14.25% as of September 30, 2009. The card is uncollateralized and guaranteed by Tom Atmore, our former general manager. The outstanding balance as of September 30, 2009 was \$ 23,421 ..

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 27.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore our former general manager. The lender agreed to a payment of \$2,000 as payment in full and forgave the remaining balance of \$7,193.

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 accrued interest at the rate of 9% per annum, was payable in monthly payments of principal and interest based upon a five year amortization, was due in full March, 2008. As of September 30, 2009, the principal balance of the Power Curve, Inc. note was \$2,000 with accrued interest of \$7,965. The other notes and all accrued interest have been paid from the proceeds of equipment sales.

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 matured 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 September 30, 2009, these notes had current maturities of \$131,700 and \$90,000 respectively and had accrued interest of \$24,039 and \$18,225 respectively.

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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 September 30, 2009 the note had accrued interest of \$ 5,457 ..

During the twelve months ended December 31, 2007, 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, 2007, 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 matured on December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. On December 31, 2008 John Power forgave the \$115,000 debt, plus \$ 16,100 in accrued interest, and Power Curve forgave \$55,000 of its debt, plus the \$5,700 portion of accrued interest. Consequently, as of September 30, 2009, these notes had current maturities of \$0 and \$100,000 respectively and had accrued interest of \$0 and \$22,000 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.

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.

Effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from \$0.75 per share to \$0.04 per share. Both of Shana Capital and Webquest agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company s common stock at the revised conversion price.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture was \$30,000 and was not collateralized and was repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of \$0.60 per share .. On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company s legal counsel, pursuant to which Clifford L. Neuman, PC

agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock in satisfaction of \$70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and \$30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The Shares were valued at \$0.04 per share

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 was guaranteed by John C. Power, the Company's Chief Executive Officer. As of September 30, 2009, the balance of this note and all accrued interest was paid in full.

Effective December, 2008, the Company's subsidiary issued a note in the principal amount of \$200,000 to evidence a note. The note accrues interest at the rate of 6% per annum and was due and payable, in full, on December 31, 2009. The note was convertible, at the option of the holder, into shares of the Company's common stock at a conversion price equal to \$0.10 per share. The note was collateralized by the marketable securities held by our Washington subsidiary and 100% of the common stock of our Washington subsidiary. In January, 2009, the balance owed under this note was reduced by a payment from the proceeds of securities sales to \$183,250. On June 15, 2009, the Company entered into an Agreement to Convert part of this debt with the holder, pursuant to which the holder agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock, in satisfaction of \$83,250 in principal amount owed. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the company recorded a gain of the forgiveness of principal debt in the amount of \$16,650 applicable to principal and \$1,972 applicable to interest payable; these amounts are recorded as additional paid-in capital in our restated consolidated financial statements. In addition, the Company's subsidiary agreed to repay the remaining \$100,000 in principal amount in full by June 30, 2009. During the three months ended September 30, 2009, principal payments of \$70,000 were paid leaving a principal balance and accrued interest of \$30,000 and \$4,520, respectively.

On April 28, 2009, Butte Creek Brands, LLC, a Delaware limited liability company (Butte Creek) a wholly-owned subsidiary of Golden West Brewing Company, a California corporation, (GWB-CA), itself a wholly-owned subsidiary of Golden West Brewing Company, Inc., a Delaware corporation (the Company) entered into two loans, each evidenced by a Promissory Note (the Notes) pursuant to which Butte Creek borrowed from each of Clifford L. Neuman and John C. Power the principal amount of \$24,000. The Notes were due and payable July 31, 2009 and have been restructured as demand notes. Each Note is secured by a Security Agreement covering GWB-CA's accounts receivable and the filing of a Uniform Commercial Code financing statement. The Note in favor of Mr. Neuman is further secured by a personal guaranty of John C. Power. As of September 30, 2009, the balances on these notes were \$19,000 to Neuman plus accrued interest of \$1,387 and \$10,000 to Power.

During the years ended December 31, 2007 and 2008, an affiliate of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2008 and September 30, 2009 in the amounts of \$107,425 and \$57,181, respectively. The advances are uncollateralized and due on demand and had total accrued interest of \$18,000 and \$1,181 as of December 31, 2008 and September 30, 2009, respectively. On June 15, 2009, the Company entered into an Agreement to Convert Debt with the affiliate of Mr. Power, pursuant to which the affiliate agreed to accept, and the Company agreed to issue, 1,070,475 shares of common stock in satisfaction of \$42,189 in principal amount owed by this affiliate. All accrued and unpaid interest applicable to these advances as of March 31, 2009 was waived and forgiven. The shares were valued at \$0.04 per share and the Company recorded a gain of the forgiveness of debt in the amount of \$21,000 applicable to interest payable; this amount was recorded as additional paid-in capital in our restated consolidated financial statements.

During the nine months ended September 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company which has a balance of \$58,750. The advances were uncollateralized and due on demand.

Subsequent to September 30, 2009, John Power and Power Curve, Inc. made advances to the Company that has been repaid in full.

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 terminated 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 was 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 terminated on December 31, 2008. The total value of the beneficial conversion features applicable to advances under the credit facility during 2008 and 2007 representing deferred financing fees is \$105,660 and \$95,270 which was credited to additional paid-in capital and charged to deferred 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 collateralized by a senior lien and security interest in the Company's tangible and intangible assets.

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock in satisfaction of \$343,000 in principal amount owed under a Credit Facility. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at \$0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of \$68,600 in principal and \$31,072 in accrued interest payable; these amounts were recorded as additional paid-in capital in our restated consolidated financial statements.

Delinquent Taxes

At September 30, 2009, the Company had outstanding payroll tax liabilities of \$ 48,527 .. Of these amounts \$ 43,701 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 September 30, 2009, the Company had alcohol related taxes payable to federal and state taxing authorities of \$ 3,742 .. The detail of those taxes payable is as follows:

<u>Tax Agency</u>	September 30, 2009		
	<u>Due</u>	<u>Delinquent</u>	
Internal Revenue Service	\$ 46,857	\$ 42,622	PAYROLL TAXES
CA Employment Development Department	\$ 1,670	\$ 1,079	PAYROLL TAXES
Federal Tax and Trade Bureau	\$ 4,106	\$ 2,706	EXCISE TAX
CA Board of Equalization	\$ (364)	\$ 0	EXCISE TAX
CA Board of Equalization	\$ 0	\$ 0	SALES AND USE TAX
CA Department of Conservation	\$ 24,190	\$ 24,190	CRV TAX
CA Franchise Tax Board	\$ 6,600	\$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	\$ 3,558	\$ 3,558	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.

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 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 hopeful 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.

Changes in general economic and business conditions effecting the craft/microbrew industries;

Developments that make our products less competitive;

Changes in our business strategies including our conversion to a contract brewer;

The level of demand for our products; and

Availability of sufficient working capital.

Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during 2009 and 2008, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our cash and cash equivalents are nominal and do not yield any return. Our credit facilities are at fixed rates and are not subject to market risk.

ITEM 4. 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. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

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 we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and to ensure that the information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure. 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.

On April 26, 2010, the Company concluded that it would amend its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Forms 10-Q for the quarters ended, March 31, 2009, June 30, 2009, and September 30, 2009 to properly account for forgiveness of debt and interest by a related party. Gains on forgiveness of debt previously recognized in the consolidated statement of operations should have been recorded as capital contributions to additional paid-in capital in the consolidated balance sheet and in the consolidated statement of stockholders' deficit.

These accounting errors and the corresponding restatements have resulted in management's determination that another material weakness existed with respect to the internal controls over financial reporting related to accounting for non-recurring complex accounting transactions. The material weakness existed at December 31, 2008, March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009 and was not identified until April 2010. To

remediate this material weakness, in April 2010, management retained a financial consultant to design, implement and improve processes and controls to ensure that (a) all material transactions are properly recorded, reviewed and approved; (b) all significant accounts are reconciled on a timely basis; (c) duties are properly segregated to the extent practicable; and, (d) complex accounting issues are properly

evaluated and accounted for in accordance with GAAP. Although management has begun to implement these additional control procedures to remediate this material weakness, we believe that additional time and testing are necessary before concluding that the material weakness has been remediated.

Our Principal Executive and Principal 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.

OTHER INFORMATION

Item 1. Legal Proceedings

None, except as previously disclosed.

Item 1A Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds from Registered Securities

None.

Item 3. Defaults Upon Senior Securities

1. Promissory Note in favor of Power Curve, Inc. (\$2,000 plus \$7,965 in interest).
2. Notes payable to John C. Power and a company controlled by John C. Power in the amount of \$221,700 plus accrued interest of \$42,264 matured on December 31, 2008 and were not repaid.
3. Promissory Note in favor of Power Curve, Inc. in the amount of \$10,000 matured on July 31, 2009 and was not repaid.

Item 4. Submission of Matters to a Vote of Security Holders

None, except as previously disclosed.

Item 5. Other Information

None, except as previously disclosed.

Item 6. Exhibits

Exhibits

31	Certification
32	Certification pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. .

GOLDEN WEST BREWING COMPANY, INC.

Date: August 9, 2010

By: /s/ John C. Power

John C. Power, Chief Financial

Officer, Principal Accounting Officer