Golden West Brewing Company, Inc.
Form 10-Q
November 19, 2008

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

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2008

OR

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

Commission file number 000-51808

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

Delaware	25-1909408
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification number

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

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

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 [X] 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 [X]

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

As of November 17, 2008, the Registrant had 3,397,225 shares of its Common Stock outstanding.

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PART I -- FINANCIAL INFORMATION

PART II - OTHER INFORMATION

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, 2008 and December 31, 2007, and its results of operations for the three month and nine month periods ended September 30, 2008 and 2007 and its cash flows for the nine month periods ended September 30, 2008 and 2007 and the statement of stockholders deficit as of September 30, 2008. 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-KSB.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS OF

	(Unaudited)	
Current Assets:	September 30,	December 31,
	2008	2007
Cash and cash equivalents	$ 5,165	$ 4,684
Accounts receivable, net of allowance for doubtful accounts of		
$0.00 and 23,849 at September 30, 2008 and December 31, 2007	40,205	184,014
respectively		
Inventory (Note 2)	109,767	197,871
Prepaid Expenses	102,290	6,369
Total current assets	257,427	392,938
Fixed Assets:		
Property and equipment net of accumulated depreciation of $85,392		
and $63,134 at September 30, 2008 and December 31, 2007,	252,626	277,526
respectively (Note 2)		
Other Assets:		
Intangibles, net of accumulated amortization of $17,097 and $12,339		
at September 30, 2008 and December 31, 2007, respectively	18,829	23,588
Deferred financing costs, net of accumulated amortization of	56,434	92,814
$144,456 and $2,456 at September 30, 2008 and December 31,		

2007, respectively.		
Other assets	13,837	14,731
Total other assets	89,100	131,133
Total Assets	$ 599,153	$ 801,597
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable	$428,158	$309,887
Accrued expenses	265,634	188,175
Checks issued in excess of funds available	10,531	46,022
Lines of credit payable (Note 3)	31,843	32,602
Advances related parties	-	12,744
Notes payable other, current portion (Note 3)	68,731	62,664
Notes payable related party, current portion (Note 3)	1,066,054	161,054
Total current liabilities	1,870,951	813,148
Long-term liabilities:		
Note payable related party, net of current portion (Note 3)	-	725,000
Total long-term liabilities	-	725,000
Total Liabilities	1,870,951	1,538,148
Commitments and Contingencies (Notes 1,2,3,4, 5, 6,7, 8, 9, 10 and 11)		
Stockholders Deficit:		
Preferred Stock, $.0001 par value, 5,000,000 shares authorized, 300,000 shares issued and outstanding as of September 30, 2008 and December 31, 2007.	30	30
Common stock, $.0001 par value, 20,000,000 shares authorized, 3,397,225 and 3,335,000 shares issued and outstanding as of September 30, 2008 and December 31, 2007 , respectively	340	334
Additional paid-in capital	1,605,631	1,485,033
Accumulated (deficit)	(2,877,799)	(2,221,948)
Total Stockholders Deficit	(1,271,798)	(736,551)
Total Liabilities and Stockholders Deficit	$ 599,153	$ 801,597

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GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Revenues	$ 165,679	$ 284,470	$ 890,458	$ 994,908
Less: Excise taxes	(7,508)	(12,474)	(33,852)	(39,841)
Net revenues	158,171	271,996	856,606	905,067
Cost of sales	172,585	215,222	744,337	714,757
Gross profit (loss)	(14,414)	56,774	112,269	190,310
Operating expenses:				
Depreciation and amortization	64,641	11,214	170,523	28,187
Legal and accounting	18,891	16,689	84,605	73,272
Management compensation	17,980	32,088	77,654	86,839
Rent	11,551	11,178	33,907	33,534
Stock-based compensation	3,338	7,741	10,014	30,145
Selling expenses	32,592	28,376	96,714	87,725
Other	70,696	89,808	243,275	228,325
Total operating expenses	219,689	197,094	716,692	568,027
Operating (Loss)	(234,103)	(140,320)	(604,423)	(377,717)
Other Income (Expense):				
Miscellaneous income	-	1,405	210	2,638
Bad debt recovery	45,035		45,035	

Gain on disposition of fixed assets	1,049	-	1,049	1,612
Loan fees	(1,500)	-	(12,250)	-
Interest expense	(29,251)	(22,156)	(85,472)	(75,071)
Stock warrant financing cost	-	-	-	(122,869)
Total other (expense)	15,333	(20,751)	(51,428)	(193,690)
Net (Loss)	$ (218,770)	$ (161,071)	$ (655,851)	$ (571,407)
Preferred dividends	6,674	-	20,022	-
Net Loss attributable to common shareholders	(225,444)	(161,071)	(675,873)	(571,407)
Net Loss per share	$ (.07)	$ (.05)	$ (.20)	$ (.20)
Weighted Average Shares				
Outstanding	3,371,162	3,025,167	3,381,164	2,890,936

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GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
SEPTEMBER 30, 2008 (UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Totals
Balance, December 31, 2006			2,418,000	241	594,845	(1,220,385)	(625,299)
Stock issued for cash at $0.35, March, 2007			400,000	40	129,385		129,425
Stock purchase warrants issued in financing, March, 2007					122,869		122,869
Stock issued for cash at $0.33, July, 2007			282,000	28	93,032		93,060
Stock issued for cash at $0.50, September, 2007			100,000	10	49,990		50,000
Advances converted to Preferred Stock at $0.75, September, 2007	300,000	30			224,970		225,000
Advance and accrued interest converted to stock, September, 2007			15,000	2	9,973		9,975
Paid-in capital related to common stock previously subject to rescission					10,000		10,000
Shares issued for investor relations at $1.10, September, 2007			100,000	10	109.990		110,000
Shares issued for loan fees at $0.70, December, 2007			15,000	2	10,498		10,500
Shares issued for compensation at $0.60, December, 2007			5,000	1	2,999		3,000
Stock-based compensation options					37,886		37,886
Deferred financing costs on line of credit					95,270		95,270
Dividends on Preferred Stock					(6,674)		(6,674)

Net (Loss) before net dividends	-	-	-	-	-	(1,001,563)	(1,001,563)
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 June 30, 2008					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					10,014		10,014
Deferred financing costs on line of credit for three months ended September 30, 2008					6,830		6,830
Dividends on Preferred Stock for nine months ended					(20,022)		(20,022)
Net (Loss) before net dividends	-	-	-	-	-	(655,851)	(655,851)
Balance, September 30, 2008	300,000	30	3,397,225	340	1,605,631	(2,877,799)	(1,271,798)

GOLDEN WEST BREWING COMPANY AND SUBSIDARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(Unaudited)

	2008	2007
Cash Flows from Operating Activities:		
Net loss attributable to common shareholders	$ (675,873)	$ (571,407)
Adjustments to reconcile net loss to net cash used		
in operating activities:		
Depreciation	23,764	22,677
Equipment retirement loss	6,356	-
Amortization of intangibles	91,686	5,510
Stock financing costs and loan fees	67,322	122,869
Preferred stock dividends	20,022	-
Stock Option compensation	10,014	30,145
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	143,809	(42,436)
Inventories	88,104	(82,075)
Prepaid expenses and other receivables	(95,921)	10,088
Increase (decrease) in:	-	-
Checks written in excess of funds available	(35,491)	(9,260)
Accounts payable	118,271	68,136
Advances payable related party	(112,744)	107,500
Accrued Expenses	77,459	(19,555)
Net cash (used in) operating activities	(273,222)	(357,808)
Cash Flows from Investing Activities:		
Net Investment in fixed assets	1,136	(29,219)
Investment in intangibles and other assets	-	(11,243)
Advances to related company	-	(40,000)

Net cash provided by (used in) investing activities	1,136	(80,462)
Cash Flows from Financing Activities:		
Proceeds from Paid-In Capital	113,774	507,461
Net Increase in Deferred Financing Costs	97,896	-
Net Increase in Advances and Notes Payable	60,897	(29,388)
Net cash provided by financing activities	272,567	478,073
Increase in Cash and Cash Equivalents	481	39,803
Cash and Cash Equivalents, beginning of period	4,684	344
Cash and Cash Equivalents, end of period	5,165	$ 40,147
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	$ 85,472	$ 75,071

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008 (UNAUDITED)

1. Nature of Business and Basis of Presentation:

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

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company s ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow from its operations to meet obligations on a timely basis and ultimately to attain profitability. The Company has historically obtained working capital through various equity and debt offerings. Certain affiliates and insiders have funded the Company s operations with working capital advances in the past; however, no affiliates, directors, officers or shareholders have committed to fund the Company s operations or to make loans or other financing arrangements available to the Company. There is no assurance that the Company will be successful in its efforts to raise additional working capital or achieve profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2008 and December 31, 2007, and its results of operations for the three and nine month periods ended September 30, 2008 and 2007 and its cash flows for the three and nine month periods ended September 30, 2008 and 2007 and the statement of stockholder s deficit as of September 30, 2008. The accompanying financial statements should be read in conjunction with the notes thereto filed as a part of the Company's annual report on Form 10-KSB. All inter-company account balances and transactions are eliminated in consolidation.

Description of Business - Golden West Brewing Company, Inc., a Delaware Corporation, and its wholly-owned California subsidiary Golden West Brewing Company (hereinafter referred to as The Company on a consolidated basis) were formed in 2003 for the purpose of acquiring Butte Creek Brewing Company, LLC ("Butte Creek"). The acquisition of Butte Creek was completed on August 31, 2005. In June 2008, we formed a new wholly-owned subsidiary in Washington: Golden West Brewing, Inc. This new subsidiary was inactive and had not commenced any operations during the period ended September 30, 2008 but is included in our consolidated financial statements.

2. Significant Accounting Policies

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.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008 (UNAUDITED)

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, 2008 and December 31, 2007 are classified as follows:

Inventory Class	September 30, 2008	December 31, 2007
Finished product	$20,826	$ 83,338
Manufacturing materials	68,827	92,451
Goods in process	18,113	22,082
Advertising materials and supplies	2,001	-
Total	$109,767	$ 197,871

Fixed Assets Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is computed on a straight-line basis. Fixed Assets values net of accumulated depreciation as of September 30, 2008 and December 31, 2007 are classified as follows:

Fixed Asset Class	Life	September 30, 2008	December 31, 2007
Manufacturing equipment	5-15 yrs	$ 227,177	$ 246,983
Draft equipment and kegs	5 yrs	8,125	10,950
Vehicles	5 yrs	1,396	1,942
Computers and lab equipment	5 yrs	4,788	5,807
Office furniture and fixtures	5 yrs	493	603
Leasehold improvements	30 yrs	2,912	3,235
Trademarks and domain names	n/a	7,735	8,006

Totals	$ 252,626	$ 277,526

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

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

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

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

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008 (UNAUDITED)

September 30, 2008 and December 31, 2007, 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 and are being amortized over a 5-year period. Assets determined to have indefinite lives are no longer amortized in accordance with SFAS No. 142, "Goodwill and Other Intangibles," but are tested for impairment on an annual basis.

Recent Accounting Pronouncements - There were various accounting standards and interpretations issued during 2007 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, less accrued preferred dividends, 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.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008 (UNAUDITED)

3. Advances and Notes Payable:

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. The advance continued to be uncollateralized and due on demand. This advance started to accrue interest at 8% on January 1, 2006 and had accrued interest as of September 30, 2007 of $1,225. On September 30, 2007 the balance of the advance plus accrued interest totaling $9,975 was converted to 15,000 shares of common stock. As of September 30, 2008, the balance was $0.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and was due in full March, 2008. As of September 30, 2008, the Tiffany Grace note had current maturities of $8,708. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of September 30, 2008, the Power Curve and Lone Oak notes had accrued interest of $5,625 and $943 respectively and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of September 30, 2008, these notes had current maturities of $215,000 and $90,000 respectively and had accrued interest of $24,187 and $10,125 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, 2008 the note had accrued interest of $4,806.

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

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of September 30,

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008 (UNAUDITED)

2008, these notes had current maturities of $115,000 and $155,000 respectively and had accrued interest of $16,100 and $21,700 respectively.

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

1.

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

2.

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

3.

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

4.

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

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

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with its Blue Marble Organic Pilsner brand. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of September 30,2008, the balance of this note was $10,000 plus accrued interest of $1,167.

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 15.25% as of December 31, 2007. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek, LLC's Managing Member and our former general manager. The outstanding balance as of September 30, 2008 was $23,541.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008 (UNAUDITED)

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, Butte Creek, LLC s managing member and our former general manager. The outstanding balance on September 30, 2008 was $8,302.

Notes Payable September 30, 2008	Current Portion	Long-Term Portion	Accrued Interest	Interest Rate	Maturity Date	Collateralized
Lines of Credit						
Bank of America (Atmore)	$ 8,302	-	-	27.98%	Demand	No
Wells Fargo (Atmore)	23,541	-	-	15.25%	Demand	No
TOTAL	$ 31,843	-	-			
Notes Payable Related Parties						
Power Curve, Inc. #1	$ 50,000		$ 5,625	9%	Sep., 2008	Yes
Power Curve, Inc. #2	90,000		10,125	9%	Dec., 2008	Yes
Power Curve, Inc. #3	155,000		21,700	8%	Dec., 2008	Yes
John C. Power #1	215,000		24,187	9%	Dec., 2008	Yes
John C. Power #2	115,000		16,100	8%	Dec., 2008	Yes
Credit Facility	330,000		20,971	8%	Dec., 2008	No
Lone Oak Vineyards	11,054		943	9%	Sep., 2008	Yes
Sea Ranch Lodge & Village	100,000	-	15,000	12%	Demand	No
TOTAL	$1,066,054	-	$ 114,651			

Notes Payable - Unaffiliated

Tiffany Grace	$8,708	$ -	$ -	9%	Mar., 2008	Yes
B. Detweiller	8,136		4,806	8%	Demand	No
BRK Holdings, LLC	17,950		916	12.246%	Nov., 2008	No
P.Hirschburg	10,000		1,167	10%	May, 2008	Yes
Dayton Misfeldt Trust	23,937	-	1,616	9%	Dec., 2008	Yes
	$ 68,731	$ -	$ 8,505			

4. Related Party Transactions

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. The advance continued to be uncollateralized and due on demand. This advance started to accrue interest at 8% on January 1, 2006 and had accrued interest as of September 30, 2007 of $1,225. On September 30, 2007 the balance of the advance plus accrued interest totaling $9,975 was converted to 15,000 shares of common stock. As of September 30, 2008, the balance was $0.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest

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at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and was due in full March, 2008. As of September 30, 2008, the Tiffany Grace note had current maturities of $8,708. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of September 30, 2008, the Power Curve and Lone Oak notes had accrued interest of $5,625 and $943 respectively and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of September 30, 2008, these notes had current maturities of $215,000 and $90,000 respectively and had accrued interest of $24,187 and $10,125 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, 2008 the note had accrued interest of $4,806.

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of September 30, 2008, these notes had current maturities of $115,000 and $155,000 respectively and had accrued interest of $16,100 and $21,700 respectively.

In 2006 and 2007, John Power and Power Curve, Inc, made advances to one of our distributors. This distributor accounted for 12.1 % of gross sales in 2007 and 7.3% of gross sales in the nine months ended September 30, 2008. In March 2007, the Company made a secured loan to the same customer/distributor in the amount of $40,000. The loan was collateralized by all of the assets (receivables, inventory and equipment) of the distributor. In September 2008, the company received $22,959.45 as full settlement of this promissory note. This Distributor had open account receivables of $0 as of September 30, 2008.

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

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amended (the Securities Act). One of the three investors was John Power, The Company s C.E.O. and Director.

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

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

1.

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

2.

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

3.

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

4.

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

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

John Power, our President, and Power Curve, Inc. a company controlled by John Power, have made other short-term advances to the Company that remained unpaid as of September 30, 2008 in the amount of $9,000. These advances are uncollateralized and due on demand.

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

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to the Company in consideration of a consulting fee in the amount of $4,500 per month. The consulting agreement terminates on December 31, 2008.

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

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with its Blue Marble Organic Pilsner brand. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of September 30, 2008, the balance on this note was $10,000 plus accrued interest of $1,167.

These related party transactions have not been evaluated for fairness.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminates on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and is payable, at the option of the lender, either in cash or in shares of the Company s common stock valued at the then applicable conversion price. The credit balance is convertible into shares of common stock of the Company at a conversion price equal to 75% of the market price of the Company s common stock on the trading day immediately preceding the conversion date, but in no event is the conversion price to be greater than $1.00 per share or less than $0.25 per share. The fair value of the beneficial conversion feature represents financing fees for each advance under the Agreement, and are valued using the Black Scholes pricing model at the time the advance is made. Expected volatility is based on historical trading activity of the Company s common stock, and was calculated at 95% for advances made in 2007. The risk free interest rate was obtained from published US

Treasury data for constant maturity treasury bills and ranged from 3.2% to 5.0%. The expected life of the conversion feature was determined to be the life of the Credit Facility which terminates on December 31, 2008. The total value of advances under the credit facility which was credited to Additional paid in capital representing deferred financing fees is $95,270 for the year ended December 31, 2007 and $105,620 for the nine months ended September 30, 2008. The deferred financing fees associated with the advances are being amortized over the lives of the advance agreements and $2,456 was charged to the year ended December 31, 2007 and 142,000 was charged to the nine months ended September 30, 2008.

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

As of September 30, 2008, the outstanding balance on this credit line was $330,000 plus accrued interest.

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. A CPI adjustment to the rent was not made in 2007 or 2008.

Future minimum lease payments under this lease are as follows:

Year Ending December 31,

2008	$11,178
2009	$44,712
2010	$44,712

6. Commitments & Contingencies

A. On December 30, 2005, an unsecured outstanding advance to the Company by an unaffiliated party at that time in the amount of $10,000 was converted into 40,000 shares of common stock. In February 2006, the Company was notified by the SEC that this conversion of $10,000 into 40,000 shares of common stock to an unaffiliated third party might have been a violation of Section 5 of the Securities Act of 1933 (the "33 Act"). While Management disagrees with this view, if it is determined that this transaction constituted a primary offering by or on behalf of the Company in violation of Section 5 of the 33 Act, then the Company may be subject to remedial sanctions. Such sanctions may include the payment of disgorgement, prejudgment interest and civil or criminal penalties. Management of the Company is not aware of any pending claims for sanctions against it based on Section 5 of the 33 Act, and intends to vigorously defend against any such claims if they arise. The shares issued are included in our total number of shares outstanding as of September 30, 2008 and December 31, 2007. However, A contingency exists with respect to this matter, the ultimate resolution of which cannot be determined at this time.

B. Delinquent Taxes & Rent

At September 30, 2008, the Company had outstanding payroll tax liabilities of $29,242. Of these amounts $26,508 are considered delinquent.

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, 2008, the Company had alcohol related taxes payable to federal and state taxing authorities of $6,467. 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 detail of those taxes payable is as follows:

	September 30, 2008		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$ 28,951	$ 26,508	PAYROLL TAXES
CA Employment Development Department	$ 291	$ 0	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 4,491	$ 0	EXCISE TAX
CA Board of Equalization	$ 2,215	$ 0	EXCISE AND SALES TAX
CA Department of Conservation	$ 24,672	$ 24,365	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$ 3,452	$ 0	PROPERTY TAXES

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

7. Common and Preferred Stock:

On March 15, 2007, we completed the private placement of units. Each unit consisted of one share of the Company s Common Stock and one Warrant exercisable to purchase one additional share of Common Stock at an exercise price of $0.40 per share for a period of two years from the date of issue. The private offering price was $0.35 per Unit. All 400,000 units were sold to a total of three investors, each of whom qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the Securities Act). One of the three investors was John Power, The Company s President and Director. The gross proceeds of the offering were $140,000, while costs associated with the offering totaled $10,575, resulting in net proceeds of $129,425.

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

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

Effective September 30, 2007, the Company issued an aggregate of 15,000 shares of common stock in satisfaction of an uncollateralized advance payable to a non-affiliate in the amount of $9,975, principal and interest. The shares were issued to one person who qualified an an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The shares,

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

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

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

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

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

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

As part of the foregoing transactions, the Company s Board of Directors authorized, adopted and approved a designation of a series of preferred stock consisting of an aggregate of 300,000 of Series A Convertible Preferred Stock. The Company s Certificate of Incorporation previously authorized the Board of Directors to adopt one or more series of preferred stock within the authorized limitation of 5,000,000 shares. The adoption by the Board of Directors of the Series A Preferred Stock did not require further shareholder approval. During the calendar year ending 2007 the company accrued $6,674 of accrued dividends.

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

Stated Value	$0.75 per share
Liquidation Preference	$0.75 per share, senior to shares of Common Stock

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

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

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. As of September 30, 2008, the Company has borrowed $330,000 under the Credit Agreement and has issued an aggregate of 33,000 shares of common stock in December 2007 and 2008 as financing fees.

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

Effective January 2008, the Company issued its Convertible Debenture in the principal amount of $30,000 evidencing a portion of its outstanding account payable in favor of its legal counsel. The Debenture is convertible at the option of the holder into shares of common stock at a conversion price equal to $0.60 per share.

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.

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

As of September 30, 2008, the Company granted and issued an aggregate of 20,000 shares of common stock: 10,000 to its President, Mark Simpson; and, 10,000 shares to its Chief Financial Officer of a wholly-owned subsidiary. The shares were issued for services in December 2007 and the nine months ended September 30, 2008.

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8. Income Taxes

The Company has an estimated net operating loss carry forward of approximately $1,001,563 and $1,029,611 for the years ended December 31, 2007 and December 31, 2006, respectively, to offset future taxable income. The net operating loss carry forward, if not used, will expire in various years through 2025, and may be restricted if there is a change in ownership. No deferred income taxes have been recorded because of the uncertainty of future taxable income to be offset.

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

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

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

Tax (benefit) at Federal statutory rate	(15.00)%
State tax (benefit) net of Federal benefit	(3.50)
Valuation allowance	18.50
Tax provision (benefit)	-

9. Investor Relations Agreement

The Company entered into a 6-month contract effective October 15, 2007 with Red Chip to provide Investor Relations. The Company paid Red Chip $50,000 cash and 100,000 shares of common stock valued at $110,000 for an aggregate of $160,000 for these services. As of September 30, 2008, this agreement had expired.

10. Equity Incentive Plan:

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. That in consideration of their services to the Company, certain consultants, employees, officers and directors were granted non-qualified stock options exercisable to purchase, in the aggregate 400,000 shares of common stock at an exercise price of $0.50 per share. The foregoing options are exercisable until December 31, 2012, their Expiration Date . The foregoing options are subject to vesting and become exercisable 50% on the

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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 quarter ended September 30, 2008 was $3,338.

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

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

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

The following tables present summarized information about fixed price stock options at September 30, 2008:

Options outstanding at December 31, 2007	350,000
Granted	-
Exercised	-
Forfeitures	
	350,000

Options outstanding at September 30, 2008

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

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

Expected volatility	75%
Risk-free interest rate	4.85%

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11. Subsequent Events:

A.

Subsequent to September 30, 2008, Power Curve, Inc. has made short-term advances to the Company in the amounts of $11,420. The advances are uncollateralized and due on demand.

B.

On November 14, 2008, a principal shareholder that owns over 10% of our common stock agreed to loan our wholly-owned subsidiary ,Golden West Brewing, Inc., a Washington corporation, a maximum of $200,000. The loan will be secured by all of the assets and 100% of the stock of our Washington subsidiary. The loan may also be converted into common stock at $0.10 at the shareholder s sole discretion. The proceeds are intended to fund the purchase of speculative marketable securities.

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

Plan of Operations

Golden West Brewing Company, Inc. (the "Company" or "Golden West") was formed in December 2003 to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC ("Butte Creek" or "Butte"). We are currently a holding company for our wholly-owned subsidiary Golden West Brewing Company, a California corporation, which acquired the assets and certain liabilities of Butte Creek on August 31, 2005. Butte Creek has been operating as a craft brewery in Chico, California since 1996. It specializes in brewing certified organic craft beers. In June 2008, we formed a new wholly-owned subsidiary in Washington: Golden West Brewing, Inc. This new subsidiary was inactive and has not commenced any operations for periods ended September 30, 2008 but is included in our consolidated financial statements. The following are the key issues and challenges facing the Company:

* Sales. We believe that our minimum level of sales for our operating subsidiary, Butte Creek, to break-even is an average of at least $130,000 per month. Butte Creek has never achieved this level of sales during a month in its history. It is critical for us to improve our sales so that we can achieve at least a break-even operating level. There is no assurance that we will be able to achieve this level of sales, or if we achieve it, that we will be able to maintain it. If adequate working capital can be secured, In May 2008, we reduced our full-time employee headcount to 5 people as part of a plan to reduce the level of sales needed to break-even. As of the date of this report, we have not determined a new sales target to achieve break-even operations.

* Increase Gross Profit Margin. In addition, our gross profit margin must be increased to at least 30% of sales. Our plan is to take advantage of our increased production capacity and increase our production which should lower our average cost per barrel of beer produced. Also, we are trying to improve our product mix with higher margin products including more draft beer sales. We raised our prices to certain customers in October 2008 and plan increases to other customers in early 2009. In May 2008, we reduced our full-time production headcount to 2 people and plan to use temporary labor as needed to maintain production. Many of these strategies have contributed to an improvement in our gross profit margin but have been outweighed by negative contributing factors including rising raw material costs, product loss, contract brewing decreases as a percentage of total sales, inventory

adjustments and shortages. We are considering ceasing production at our Chico, California facility and outsourcing our production to a 3^{rd} party brewery site. There is no assurance that we will find a suitable 3^{rd} party site or have the resources to brew our beer at an alternative site. We believe a 3^{rd} party production site would reduce our cost of goods sold and increase our gross profit margin. There is no assurance that we will be successful in implementing our plan to increase our gross profit margin.

* Control Selling, General & Administrative Expenses. In addition to raising sales, we must control our expenditures to achieve a break-even operating level. In May 2008, we reduced our selling, general and administrative headcount at our Chico facility as we work towards reducing our expenditures.

* Working Capital Shortage. Our history of working capital deficiencies make it difficult to build finished inventory. We owe delinquent taxes to the IRS and several State agencies. Finally, our ability to maintain our equipment has been challenging with our shortage of working capital. We also may not have enough working capital to maintain sufficient inventory levels of raw materials, glass and cardboard needed for production at historical levels. Because we have been unable to maintain production levels, our sales have declined.

  We have curtailed production due to lack of working capital and may be forced to cease production. There is no assurance that we will have the resources to continue production.

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

* Continued Operating Losses. Our history of operating losses makes it difficult to raise capital for our working capital needs. We are developing key performance indicators to better manage and monitor our business in an attempt to reduce our operating losses. We also reduced our employee headcount in May 2008.

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

erode and our sales to decline.

We have outsourced the location of some of our finished goods inventory which is intended to reduce inventory shortages and provide stronger inventory controls. There is no assurance that we can maintain an outside inventory location.

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 Company is actively pursuing the potential divestiture of its wholly-owned subsidiary (Golden West Brewing Company California). This subsidiary has a substantial shareholder s deficit. There is no assurance that we can divest this subsidiary. The Company is also exploring strategic alternatives to maximize shareholder value.

The following discussion and analysis is for the three month period ended September 30, 2008 and should be read in conjunction with the Notes thereto of Golden West Brewing Company, Inc.

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.

Overview of Product Distribution

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

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

Operating and Financial Review and Prospects

Operating Results

For the three months ended September 30, 2008 compared to the three months ended September 30, 2007:

REVENUES. Gross Revenues were $165,679 for the three months ended September 30, 2008 compared to $284,470 for the comparable 2007 period. Revenues net of excise taxes (Net Revenues) for the three months ended September 30, 2008 were $158,171 a decrease of $113,825 or41.9% compared to $271,996 in the three months ended September 30, 2007. The decrease in sales was primarily the result of an ineffective sales effort and lack of working capital to produce our core brands and contract brew for customers.

COST OF GOODS SOLD Cost of goods sold for three months ended September 30, 2008 was $172,585 or 109.1% of net revenues compared to $215,222 or 79.1% of net sales for the three months ended September 30, 2007. The increase in COGS was due to increases in our raw material costs, primarily inbound freight, malted barley, glass bottles, cardboard packaging and a onetime charge for product contamination of $28,889. We were unable to increase our average sale price of case beer to keep up with the increasing COGS expense. COGS for the period included a onetime charge for product contamination loss of $28,889.

GROSS PROFIT Gross profit for the three months ended September 30, 2008 decreased $71,189 to a negative $14,414 or (8.4)% of net revenues compared to $56,774 or 20.9% of net revenues for the three months ended September 30, 2007. We were unable to increase our average selling price of case beer to keep up with the increasing COGS expense We also recorded a product contamination expense of $28,889 in the quarter..

OPERATING EXPENSES Total operating expenses increased $22,595 or 11.5% to $219,689 for the three months ended September 30, 2008 compared to $197,094 for three months ended September 30, 2007. Components of operating expenses are:

* Depreciation & Amortization expense was $64,641 for the three months ended September 30, 2008 compared to $11,214 for the three months ended September 30, 2007. The increase was primarily due to deferred financing cost amortization of $55,073.
* Management compensation was $17,980 for the three months ended September 30, 2008 compared to $32,088 for the three months ended September 30, 2007. The decrease was related to a reduction of the labor force in May 2008.
* Rent expense was $11,551 for the three months ended September 30, 2008 compared to $11,178 for the three months ended September 30, 2007.
* Selling expenses was $32,592 for the three months ended September 30, 2008 compared to $28,376 for the three months ended September 30, 2007. The increase was due primarily to commissions paid to independent contractors.
* Legal and Accounting expense was $18,891 for the three months ended September 30, 2008 compared to $16,689 for the three months ended September 30, 2007.
* Stock Based Compensation was $3,338 for the three months ended September 30, 2008 compared to $7,741 for the three months ended September 30, 2007. The decrease was the result of accelerated vesting of employee options in the prior fiscal years.
* Other General & Administrative Operating Expenses decreased $19,112 to $70,696 for the three months ended September 30, 2008 compared to $89,808 for the three months ended September 30, 2007. The decrease was a result of decreases in health, worker s compensation, and commercial insurance expenses, consulting fees, and utilities. Increased investor relations expenses in 2008 of $21,220 associated with investor relations were offset by decreased design expenses in 2007 of $26,743 related to the 2007 rebranding effort. The primary components of this category are insurance, payroll taxes, office expenses and consulting expenses.

OPERATING LOSS. The operating loss for the three months ended September 30, 2008 increased $64,894 or 46.2% to $205,214 compared to $140,320 for the three months ended September 30, 2007. The increase was due primarily from a reduced gross margin associated with a lack of working capital, and a substantial increase in non-cash charges related to the amortization of deferred financing fees associated with our lines of credit.

OTHER INCOME & EXPENSE. Net other income and expense was $15,333 for the three months ended September 30, 2008 compared to $(20,751) for the three months ended September 30, 2007. Net income for the three months ended September 30, 2008 included Bad Debt Collections of $45,035 and the gain on the sale of a trademark for $7,405. Net Expense for the three months ended September 30, 2008 included equipment retirement of $6,356, and interest and loan expenses of $30,751.

NET LOSS. Net loss increased $57,699 or 35.8% to $218,770 for the three months ended September 30, 2008 compared to $161,071 for the three months ended September 30, 2007. The increased net loss was due to reduced gross margin associated with a lack of working capital, commissions, amortization of deferred financing costs, and interest and loan expenses.

For the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007:

REVENUES. Gross Revenues were $890,458 for the nine months ended September 30, 2008 compared to $944,908 for the comparable 2007 period. Revenues net of excise taxes (Net Revenues) for the nine months ended September 30, 2008 were $856,606 an decrease of $48,461 or 5.4% compared to $905,067 in the nine months ended September 30, 2007. The decrease in sales was primarily the result of out-of-stock or our core brands due to a lack of working capital and a product contamination issue in the quarter.

COST OF GOODS SOLD Cost of goods sold for nine months ended September 30, 2008 was $744,337 or 86.9% of net revenues compared to $714,757 or 79.0% of net sales for the nine months ended September 30, 2007. The increased Cost of Goods Sold was attributable to increased cost for inbound freight, malted barley, glass bottles, cardboard packaging and a onetime charge for product contamination loss of $28,889.

GROSS PROFIT Gross profit for the nine months ended September 30, 2008 was $112,269 or 13.1% of net revenues compared to $190,310 or 21.0% of net revenues for the nine months ended September 30, 2007. The decrease in gross profit was the result of higher cost of goods sold and the onetime charge for product contamination.

OPERATING EXPENSES Total operating expenses increased $148,665 or 26.2% to $716,692 for the nine months ended September 30, 2008 compared to $568,027 for nine months ended September 30, 2007. Components of operating expenses are:

* <u>Depreciation & Amortization expense</u> was $170,523 for the nine months ended September 30, 2008 compared to $28,187 for the nine months ended September 30, 2007. The increase was primarily due to deferred financing cost amortization of $142,000.
* <u>Management compensation</u> was $77,654 for the nine months ended September 30, 2008 compared to $86,839 for the nine months ended September 30, 2007. The decrease was related to a reduction of the labor force in May 2008.
* <u>Rent expense</u> was $33,907 for the nine months ended September 30, 2008 compared to $33,534 for the nine months ended September 30, 2007.
* <u>Selling expenses</u> was $96,714 for the nine months ended September 30, 2008 compared to $87,725 for the nine months ended September 30, 2007. The primary increase was regulatory fees for the licensing

of new states.

* Legal and Accounting expense was $84,605 for the nine months ended September 30, 2008 compared to $73,272 for the nine months ended September 30, 2007.

* <u>Stock Based Compensation</u> was $10,014 for the nine months ended September 30, 2008 compared to $30,145 for the nine months ended September 30, 2007. The decrease was the result of accelerated vesting of employee options in the prior fiscal years.
* <u>Other General & Administrative Operating Expenses</u> increased $20,850 to $243,275 for the nine months ended September 30, 2008 compared to $228,325 for the nine months ended September 30, 2007. This increase is due to increased management consultant fees and new expenses related to investor relation activities.

OPERATING LOSS. The operating loss for the nine months ended September 30, 2008 increased $197,817 or 52.4% to $575,534 compared to $377,717 for the nine months ended September 30, 2007. The increased operating loss primarily due to a substantial increase in non-cash charges related to the amortization of deferred financing fees associated with our credit facility.

OTHER INCOME & EXPENSE Net other income and expense was $(51,428) for the nine months ended September 30, 2008 compared to $(193,690) for the nine months ended September 30, 2007. The decrease is due to stock warrant financing costs of $122,869 expensed in the first quarter of 2007 and the collection of bad debts in the current period.

NET LOSS Net loss increased $84,444 or 14.8% to $655,851 for the nine months ended September 30, 2008 compared to $571,407 for the nine months ended September 30, 2007. The increased net loss was primarily due to amortization of deferred financing fees associated with our credit facility and a reduction of sales and gross margin due to our working capital shortages.

Liquidity and Capital Resources

We do not currently have a solution to our current working capital deficit.

We have limited 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.

In December, 2007, the Company entered into a Credit Agreement with four individuals providing for a revolving line of credit in the maximum principal amount of $350,000. The Company agreed to pay a financing fee in the form of 100 shares of common stock for every $1,000 in advances made under the Credit Agreement. A total of 15,000 shares were issued in 2007 under this agreement. As of the date of this Report, the Company has borrowed $330,000 under the Credit Agreement and has issued an aggregate of 33,000 shares of common stock as financing fees.

We had nominal cash and cash equivalents and a working capital deficit of $1,472,088 at September 30, 2008. All of our long-term debt matures on or before December 31, 2008. 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 the operations.

The Company is actively pursuing the potential divestiture of its wholly-owned subsidiary (Golden West Brewing Company California). This subsidiary has a substantial shareholder s deficit. There is no assurance that we can divest this subsidiary. The Company is also exploring strategic alternatives to maximize shareholder value.

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 15.25% as of September 30, 2008. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek's former general manager. The outstanding balance as of September 30, 2008 was $23,540. Under our separation agreement with Atmore, we were obligated to pay this indebtedness prior to September 30, 2006 but did not have the resources to pay this obligation.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America/MBNA with interest at the rate of 27.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore, Butte Creek's former general manager. The outstanding balance as of September 30, 2008 was $8,302. Under our separation agreement with Atmore, we were obligated to pay this indebtedness prior to September 30, 2006 but did not have the resources to pay this obligation.

Notes Payable

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and was due in full March, 2008. As of September 30, 2008, the Tiffany Grace note had current maturities of $8,708. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of September 30, 2008, the Power Curve and Lone Oak notes had accrued interest of $5,625 and $943 respectively and short-term maturities of $50,000 and $11,054, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of September 30, 2008, these notes had current maturities of $215,000 and $90,000 respectively and had accrued interest of $24,187 and $10,125 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, 2008 the note had accrued interest of $4,806.

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

During the twelve months ended December 31, 2006, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of September 30, 2008, these notes had current maturities of $115,000 and $155,000 respectively and had accrued interest of $16,100 and $21,700 respectively.

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

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is secured by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is also secured by the personal guarantee of John C. Power, the Company s Chief Executive Officer. As of September 30, 2008, the balance on this note was $10,000 plus accrued interest of $1,167.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminates on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and is payable, at the option of the lender, either in cash or in shares of the Company s common stock valued at the then applicable conversion price. The credit balance is convertible into shares of common stock of the Company at a conversion price equal to 75% of the market price of the Company s common stock on the trading day immediately preceding the conversion date, but in no event is the conversion price to be greater than $1.00 per share or less than $0.25 per share. The fair value of the beneficial conversion feature represents financing fees for each advance under the Agreement, and are valued using the Black Scholes pricing model at the time the advance is made. Expected volatility is based on historical trading activity of the Company s common stock, and was calculated at 95% for advances made in 2007. The risk free interest rate was obtained from published US Treasury data for constant maturity treasury bills and ranged from 3.2% to 5.0%. The expected life of the conversion feature was determined to be the life of the Credit Facility which terminates on December 31, 2008. The total value of advances under the credit facility which was credited to Additional paid in capital representing deferred financing fees is $95,270 for the year ended December 31, 2007 and $105,620 for the nine months ended September 30, 2008. The deferred financing fees associated with the advances are being amortized over the lives of the advance agreements and $2,456 was charged to the year ended December 31, 2007 and $142,000 was charged to the nine months ended September 30, 2008..

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

As of September 30, 2008, the Company has drawn advances under the Credit Agreement in the aggregate amount of $330,000 plus accrued interest.

Delinquent Taxes & Rent

At September 30, 2008, the Company had outstanding payroll tax liabilities of $29,242. Of these amounts $26,508 are considered delinquent. 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, 2008, the Company had alcohol related taxes payable to federal and state taxing authorities of $6,467. 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 detail of those taxes payable is as follows:

	September 30, 2008		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$ 28,951	$ 26,508	PAYROLL TAXES
CA Employment Development Department	$ 291	$ 0	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 4,491	$ 0	EXCISE TAX
CA Board of Equalization	$ 2,215	$ 0	EXCISE AND SALES TAX
CA Department of Conservation	$ 24,672	$ 24,365	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$ 3,452	$ 0	PROPERTY TAXES

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

Off Balance Sheet Arrangements

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

Certain Considerations: Issues and Uncertainties

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

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

Possible Section 5 Violation

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

The transaction that may have caused such a violation of Section 5 is as follows: In December, 2004, we made the initial filing of our registration statement. In June 2005, an unaffiliated third-party, Bob Vogt, loaned us the sum of $10,000. The loan was unsecured and undocumented. It was our intention to repay the loan in a short period of time; however, we were unable to do so due to our lack of working capital. In December 2005, in an effort to improve our balance sheet, we offered Mr. Vogt an opportunity to convert his $10,000 loan into shares of our common stock. In December 2005, we effected the conversion of Mr. Vogt's loan into shares of our common stock in a transaction in which we relied upon an exemption from the registration requirements of the Securities Act contained in Section 4(2), which exempts transactions not involving a public offering.

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

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

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

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

Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during 2008, and 2007, 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 QUALTITATIVE 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.

The Principal Executive Officer and Principal Financial Officer conducted an update review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on his evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure and we refer you to Exchange Act Rule 13a-15(e). 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. There have been no material changes in our internal controls or in other factors that could materially affect these controls subsequent to the date of the previously mentioned evaluation.

Our Principal Executive and 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

1. The following sets forth the information required by Item 701 of Regulation S-K with respect to the unregistered sales of equity securities by Golden West Brewing Company, Inc., a Delaware corporation (the "Company"), completed in September, 2008:

a. In September, 2008, the Company issued an aggregate of 21,225 shares of common stock, $.0001 par value (the Common Stock or Shares) valued at $0.30 per share in consideration of a settlement for a trade liability in the amount of $6,367.50.

b. The shares were issued to three persons. The shares issued were restricted securities under the Securities Act.

c. The Company paid no fees or commissions in connection with the issuance of the Shares.

d. The sale of the Securities was undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder. The Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based on our investigation, we believed that the trade creditors obtained all information regarding the Company that he requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e. Not applicable

f. Not applicable.

2. The following sets forth the information required by Item 701 of Regulation S-K with respect to the unregistered sales of equity securities by Golden West Brewing Company, Inc., a Delaware corporation (the "Company"), completed in the three months ending September 30, 2008:

a. During the three months ended September, 2008, the Company issued an aggregate of 12,000 shares of common stock, $.0001 par value (the Common Stock or Shares) valued at $0.25 per share in consideration of services provided by the Company s executive officers.

b. The shares were issued to two persons who qualified as "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933 as amended (the "Securities Act"). The shares issued were restricted securities under the Securities Act.

c. The Company paid no fees or commissions in connection with the issuance of the Shares.

d. The sale of the Securities was undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based on our investigation, we believed that the executive officers obtained all information regarding the Company that they requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e. Not applicable

f. Not applicable.

3. The following sets forth the information required by Item 701 of Regulation S-K with respect to the unregistered sales of equity securities by Golden West Brewing Company, Inc., a Delaware corporation (the "Company"), completed in the nine months ending September 30, 2008:

a. During the nine months ended September, 2008, the Company issued an aggregate of 23,000 shares of common stock, $.0001 par value (the Common Stock or Shares) valued at $0.25 per share in consideration of financing fees for draws under our credit facility.

b. The shares were issued to four persons each of whom qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933 as amended (the "Securities Act"). The shares issued were restricted securities under the Securities Act.

c. The Company paid no fees or commissions in connection with the issuance of the Shares.

d. The sale of the Securities was undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder. The investors each qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based on our investigation, we believed that the accredited investors obtained all information regarding the Company that they requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e. Not applicable

f. Not applicable.

Item 3. Defaults Upon Senior Securities

The Company is currently in default under the following commitments:

1.

Promissory Notes in favor of Power Curve, Inc. ($50,000 plus $5,625 in interest), Lone Oak Vineyards, Inc. ($25,000; current balance of $11,054 plus $943 in interest), Tiffany Grace ($25,000; current balance of $8,708) and the Dayton Misfeldt Trust ($25,000) which are secured by a senior lien on all tangible and intangible assets of Golden West Brewing Company, a California corporation.

2.

Promissory Note in favor of Peter Hirschburg in the outstanding principal amount of $10,000 plus $1,167 in interest due, secured by inventory and accounts receivable associated with our Blue Marble Organic Pilsner.

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

<u>Exhibits</u>

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: November 19, 2008

By: */s/ John C. Power*

John C. Power, Chief Financial

Officer, Principal Accounting Officer