Golden West Brewing Company, Inc.
Form 10-Q
August 18, 2009

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 June 30, 2009

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to __________

Commission file number 000-51808

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, P O Box 3750, 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 August 18, 2009, the Registrant had 20,000,000 shares of its Common Stock outstanding.

INDEX

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 June 30, 2009 and December 31, 2008, and its results of operations for the three and six month periods ended June 30, 2009 and 2008 and its cash flows for the six month periods ended June 30, 2009 and 2008 and the statement of stockholders deficit as of June 30, 2009. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-K.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS OF

	(Unaudited)	
Current Assets:	June 30, 2009	December 31.2008
Cash and cash equivalents	$ 19,882	$ 21,201
Accounts receivable, net of allowance for doubtful accounts of		
$0.00 and $23,849 at June 30, 2009 and December 31, 2008	49,738	39,178
respectively		
Inventory (Note 1)	105,833	109,495
Marketable Securities (Note 2)	34,215	73,952
Prepaid Expenses	2,637	8,976
Total current assets	212,305	252,802
Fixed Assets:		
Property and equipment from discontinued operations held for sale (Note 1)	28,142	152,590
Other Assets:		
Intangibles, net of accumulated amortization of $19,167 and $16,667		
at June 30, 2009 and December 31, 2008, respectively	19,739	16,068
Deferred financing costs, net of accumulated amortization of		
$291,710 and $5,858 at June 30, 2009 and December 31,		
2008, respectively. (Note 3)	-	84,922
Other assets	1,809	7,709
Total other assets	21,548	108,699
Total Assets	$ 261,995	$ 514,091

LIABILITIES AND STOCKHOLDERS DEFICIT

Current Liabilities:		
Accounts payable	$312,380	$445,353

Accrued expenses	194,133	265,105
Checks issued in excess of funds available	19,383	6,095
Lines of credit payable (Note 3)	22,978	32,555
Advances related parties (Note 3)	47,500	7,425
Advances -- other	2,396	-
Notes payable other, current portion (Note 3)	26,086	68,731
Notes payable related party, current portion (Note 3)	514,881	1,109,054
Total current liabilities	1,139,737	1,934,318
Long-term liabilities:		
Note payable related party, net of current portion (Note 3)	-	-
Total long-term liabilities	-	-
Total Liabilities	1,139,737	1,934,318
Commitments and Contingencies (Notes 1,2,3,4, 5, 6,7, 8, 9 and 10)		
Stockholders Deficit:		
Preferred Stock, $.0001 par value, 5,000,000 shares authorized, 0 shares and 300,000 issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	-	30
Common stock, $.0001 par value, 20,000,000 shares authorized, 20,000,000 and 3,404,525 shares issued and outstanding as of June 30, 2009 and December 31, 2008	2,000	340
Additional paid-in capital	2,216,500	1,706,215
Accumulated (deficit)	(3,096,242)	(3,126,812)
Total Stockholders Deficit	(877,742)	(1,420,227)
Total Liabilities and Stockholders Deficit	$ 261,995	$ 514,091

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30,

	For the 3 months ended June 30,		For the 6 months ended June 30,	
	2009	2008	2009	2008
Revenues	$74,528	$ 290,875	$ 118,969	$ 577,175
Less: Excise taxes	(1,847)	(14,026)	(3,728)	(26,344)
Net revenues	72,681	276,849	115,241	550,831
Cost of sales	66,712	263,603	108,995	475,905
Gross profit (loss)	5,969	13,246	6,246	74,926
Operating expenses:				
Amortization	1,250	1,586	2,500	3,173
Deferred Financing Costs	67,469	48,113	84,922	86,927
Legal and accounting	33,555	46,133	60,352	65,714
Management compensation	-	24,088	11,250	59,674
Stock-based compensation (note 10)	3,338	3,338	6,676	6,676
Selling expenses	4,614	29,907	9,870	64,449
Other	13,698	59,732	33,296	11,502
Total operating expenses	123,924	212,897	208,866	298,115
Net ordinary income (loss)	(117,955)	(199,650)	(202,620)	(223,189)
Discontinued operations				
Revenues from discontinued operations	1,838	82,515	5,507	148,315
Gain on equipment sales	74,895	-	68,142	-
Expenses from discontinued operations	(11,871)	(107,224)	(49,514)	(293,447)
Gain (Loss) from discontinued operations	64,862	(24,709)	24,135	(145,132)
Other Income (Expense):				
Miscellaneous income	335	144	1,596	210
	98,015	-	80,311	-

Gain (Loss) on sale of marketable securities				
Debt Forgiveness	165,753		165,753	-
Loan Fees	(2,400)	(1,750)	(2,400)	(10,750)
Interest expense	(5,628)	(29,359)	(36,205)	(56,221)
Total other (expense)	256,075	(30,965)	209,055	(66,761)
Net Income (Loss)	$ 202,982	$ (255,325)	$ 30,570	$ (435,082)
Preferred dividends	-	3,582	-	13,348
Net Income (Loss) attributable to common shareholders	$ 202,982	$ (175,994)	$ 30,570	(448,430)
Net Income (Loss) per share	$ .03	$ (.05)	$ .006	$ (.06)
Net Income (Loss) attributable to continuing operations	$ 213,015	$ (135,110)	$ 74,577	$ (289,950)
Net Income (Loss) per share	$ .03	$ (.04)	$ .02	$ (..05)
Let loss attributable to discontinued operations	$ (10,033)	$ (37,302)	$ (44,007)	$ (145,132)
Net Loss per share	$ (.001)	$ (.01)	$ (.01)	$ (.01)
Weighted Average Shares				
Outstanding	6,322,411	3,371,816	4,871,528	3,025,167

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
JUNE 30, 2009 (UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amt	Shares	Amount	Capital	(Deficit)	Totals
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					13,352		13,352
Deferred financing costs on line of credit for three					6,830		6,830

months ended September 30, 2008							
Shares issued for compensation at $.10 per share,							
December 1, 2008			6,000		600		600
Shares issued for loan fees at $.10 per share, December, 2008			1,300		130		130
Deferred financing costs on line of credit for three							
months ended December 31, 2008					90,820		90,820
Dividends on Preferred Stock for the year ended 12-31-08					(14,326)		(14,326)
Net (Loss) before net dividends	-	-	-	-	-	(904,864)	(904,864)
Balance, December 31, 2008	300,000	30	3,404,525	340	1,706,215	(3,126,812)	(1,420,227)
Dividends on Preferred Stock for the quarter ended 3-31-09					(3,582)		(3,582)
Shares issued for debt conversion at $.04 per share, June 15, 2009			12,095,475	1210	482,609		483,819
Common shares exchanged for preferred shares	(300,000)	(30)	4,500,000	450	-		420
Forgiveness of accrued preferred dividends					24,582		24,582
Stock-based compensation options					6,676		6,676
Net (Loss) before net dividends	-	-	-	-	-	30,570	182,836
Balance. June 30, 2009	-	-	20,000,000	2,000	2,216,500	(3,096,242)	(877,742)

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the six months ended June 30,	
	2009	2008
Cash Flows from Operating Activities:		
Net income (loss)	$ 30,570	$ (435,082)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	15,782
Amortization of intangibles	2,500	90,100
Stock-Based Compensation and expenses	6,676	6,676
Deferred financing costs and loan fees	84,922	10,750
Preferred stock dividends	-	13,348
	94,098	136,656
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	(10,560)	(42,899)
Inventories	3,662	83,486
Prepaid expenses	6,339	(6,231)
Marketable Securities	39,737	-
Increase (decrease) in:		
Checks written in excess of funds available	13,288	(26,713)
Accounts payable	(132,973)	100,770
Accrued Expenses	(70,972)	46,238
	(151,479)	154,651
Net cash from (used in) operating activities	(26,811)	(143,775)
Cash Flows from (used in) Investing Activities:		
Investment in fixed assets	124,447	(6,265)
Net Investment in intangibles and other assets	(6,946)	(38,937)
Net cash from (used in) investing activities	117,501	(45,202)
Cash Flows from Financing Activities:		
Net Proceeds from Paid-In-Capital	511,915	16,750
Net Increase (Decrease) in Notes Payable	(603,924)	168,195

Net cash from financing activities	(92,009)	184,945
Increase (Decrease) in Cash and Cash Equivalents	$ (1,319)	$ (4,032)
Cash and Cash Equivalents, beginning of period	21,201	4,684
Cash and Cash Equivalents, end of period	$ 19,882	$ 652
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	$ 36,205	$ 56,221

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies:

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

Description of Business - Golden West Brewing Company, Inc., a Delaware Corporation, and its wholly-owned California subsidiary Golden West Brewing Company (hereinafter referred to as The Company on a consolidated basis) were formed in 2003 for the purpose of acquiring Butte Creek Brewing Company, LLC ("Butte Creek"). The acquisition of Butte Creek was completed on August 31, 2005. In 2008, the Company formed a wholly-owned Washington subsidiary, Golden West Brewing, Inc. which is engaged in the business of investing in speculative securities.

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 June 30, 2009 and December 31, 2008, and its results of operations for the three and six month periods ended June 30, 2009 and 2008 and its cash flows for the six month period ended June 30, 2009 and 2008 and the statement of stockholder s deficit as of June 30, 2009 and December 31, 2008. The accompanying financial statements should be read in conjunction with the notes thereto filed as a part of the Company's quarterly report on Form 10-Q. All inter-company account balances and transactions are eliminated in consolidation.

In January 2009, we discontinued brewing operations at our Chico, California brewery. In February 2009, we entered into a three (3) year contract brewing agreement with an unrelated brewery located in California and will outsource the brewing and bottling of all our beers in 2009. As a result of the closure of our brewing facility, we expensed an impairment charge to fixed assets of $82,730 in 2008. We retained an independent equipment broker to sell our brewery equipment and are obligated to pay him a 10% commission on any completed transactions. As a result, our property and equipment was fairly valued at $28,142 and 152,589 as of June 30, 2009 and December 31, 2008, respectively.

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

Inventory Inventory is stated at the lower-of-average cost or market computed on a first-in first-out basis. Inventory values as of June 30, 2009 and December 31, 2008 are classified as follows:

Inventory Class	2009	2008
Finished Product	$ 86,201	$ 34,550
Manufacturing Materials	19,632	63,925
Goods in Process	-	11,020
Total	$ 105,833	$ 109,495

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

Fixed Asset Class	Life	June 30, 2009	December 31, 2008
Assets held for sale	n/a	28,142	152,590
Totals		$ 28,142	$ 152,590

As a result of the closure of our brewing facility, we expensed an impairment charge to fixed assets of $82,730 in 2008. We retained an independent equipment broker to sell our brewery equipment and are obligated to pay him a 10% commission on any completed transactions. In May 2009, we entered into an agreement to sell the majority of our brewing equipment for $170,000 and completed the transaction in June 2009. Our property and equipment was fairly valued at $28,142 and $152,590 as of June 30, 2009 and December 31, 2008, respectively.

Our Assets Held For Sale were located in our former brewing facility in Chico, California. Our landlord filed suit against us for back rent in February 2009. We reached a settlement of this lawsuit in March 2009. The settlement requires us to pay rent on a month-to-month basis to retain possession of these premises.

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

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

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

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

30, 2009 and December 31, 2008, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

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

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

Intangibles - Intangibles consists of goodwill, trade names and trademarks. Intangibles other than goodwill are amortized using the straight-line method over the estimated useful life of the intangibles. The $25,000 of acquired intangible assets relate to trade names and trademarks that had an expected remaining useful life of approximately five years at the time of their purchase in August 2005 are being amortized over a 5-year period. In addition, we have capitalized an additional $13,906 in costs associated with the development of our registered trademark portfolio that are also 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 2009 and 2008, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

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

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

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

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

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

2. Marketable Securities

In 2008, we formed a wholly-owned Washington subsidiary, Golden West Brewing, Inc. which is engaged in the business of investing in speculative securities. The following table sets forth marketable securities owned as of June 30, 2009 together with a presentation of gains and/or losses for the six month period ending June 30, 2009.

Shares Held	Security	Historical Cost	Market Value @ 3/31/09	Market Value @ 6/30/09	Realized Gain/(Loss) 3 mos, 2009	Realized Gain/(Loss) 6 mos, 2009	Total Gain/(Loss) 6 mos, 2009
1,000	AECFF	$ 12,150	-	$ 11,470		-	$ (680)
50,000	AHT.A	$ 5,005	-	$ 4,475	$ 466	466	$ (64)
5,000	TRMA	$ 19,740	-	$17,150		-	$ (2,590)
7,000	MENB	$ 1,440	$ 1,190	$ 1,120		-	$ (320)
Sold	EPEXP	$114,286	$11,598	-	$ (46,100)	$ (97,633)	$ (15,473)
Sold	DTG	$22,346	25,752	-	$ 107,288	$ 107,288	$ 105,436
Sold	SLG.C	$16,875	-	-	$ (5,245)	$ (5,245)	$ (5,998)
Total		$ 154,947	$38,540	$34,215	$ 56,409	$ 4,876	$ 80,311

.

3. Advances and Notes Payable:

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

Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrued interest at the rate of 9% per annum, was payable in monthly payments of principal and interest based upon a five year amortization, was due in full March, 2008. As of June 30, 2009, the principle balance of the Power Curve, Inc. note was $2,000 with accrued interest of $7,920. The other notes and all accrued interest have been paid from the proceeds of equipment sales.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and matured December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of June 30, 2009, these notes had current maturities of $131,700 and $90,000 respectively and had accrued interest of $21,076 and $16,200 respectively. During the three months ended June 30, 2009 payments of $83,300 were made to John Power on this note.

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 June 30, 2009 the note had accrued interest of $5,132.

During the twelve months ended December 31, 2007, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2007, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and matured on December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. On December 31, 2008 John Power forgave the $115,000 debt, plus $9,200 in accrued interest, and Power Curve forgave $55,000 of its debt, plus the $5,700 portion of accrued interest. Consequently, as of June 30, 2009, these notes had current maturities of $0 and $100,000 respectively and had accrued interest of $0 and $20,000 respectively.

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

1.

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

2.

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

3.

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. These notes remain unpaid as of June 30, 2009.

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.

The Company had previously issued an aggregate of 300,000 shares of Series A Convertible Preferred Stock to two non-affiliated investors and, effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from $0.75 per share to $0.04 per share. Both of the investors agreed to convert their

Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company s $.0001 par value common stock at the revised conversion price.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture was $30,000 and was not collateralized and was repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company s legal counsel, pursuant to which Clifford L. Neuman, PC agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and $30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The Shares were valued at $0.04 per share

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is collateralized by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is guaranteed by of John C. Power, the Company s Chief Executive Officer. As of June 30, 2009, the balance of this note and all accrued interest was paid in full.

Effective December, 2008, the Company s subsidiary issued a note in the principal amount of $200,000 to evidence a note. The note accrues interest at the rate of 6% per annum and was due and payable, in full, on December 31, 2009. The note was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price equal to $0.10 per share, which was at or above the public trading price of the Company s common stock on the date of grant. The note was collateralized by the marketable securities held by our Washington subsidiary and 100% of the common stock of our Washington subsidiary. The total amount of financing fees for advances under the note during 2008 and three months of 2009 representing deferred financing fees is $75,670 and $17,453 which was credited to Additional paid in capital and charged to financing fees associated with the advances under this Agreement in 2008 and three months of 2009 respectively. In January, 2009, the balance owed under this note was reduced by a payment from the proceeds of securities sales to $183,250.

On June 15, 2009, the Company entered into an Agreement to Convert Debt with an investor, pursuant to which the investor agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $83,250 in principal amount owed by the Company s wholly-owned Washington subsidiary. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share and the company recorded a gain of the forgiveness of debt in the amount of $16,650. , Simultaneously, the remaining balance on the note of $100,000 became due and payable on June 30, 2009. In July 2009, an additional $60,000 was paid on this note from the sale of securities.

On April 28, 2009, Butte Creek Brands, LLC, a Delaware limited liability company Butte Creek) a wholly-owned subsidiary of Golden West Brewing Company, a California corporation, (GWB-CA), itself a wholly-owned subsidiary of Golden West Brewing Company, Inc., a Delaware corporation (the Company) entered into two loans, each evidenced by a Promissory Note (the Notes) pursuant to which Butte Creek borrowed from each of Clifford L. Neuman and John C.

Power the principal amount of $24,000. The Notes are due and payable July 31, 2009. Each Note is secured by a Security Agreement covering GWB-CA s accounts receivable and the filing of a Uniform Commercial Code financing statement. The Note in favor of Mr. Neuman is further secured by a personal guaranty of John C. Power. As of June 30, 2009, the balance on these notes are $24,000 to Neuman plus accrued interest and $10,000 to Power plus accrued interest.

The current balance on the Neuman note is $19,000 plus accrued interest. The current balance on the Power note is $4,000 plus accrued interest.

Additionally, on April 28, 2009, Butte Creek executed an Agreement with GWB-CA pursuant to which Butte Creek will extend advances as a factor to GWB-CA and GWB-CA will assign to Butte Creek, as collateral for repayment of the advances, all accounts receivable of GWB-CA. Repayment of the advances is secured by a Promissory Note dated April 28, 2009 in the original principal amount of $48,000 and Security Agreement covering Butte Creek s accounts receivable and the filing of a Uniform Commercial Code financing statement. The remaining outstanding balance on this note as of June 30, 2009 was $34,000 plus accrued interest.

During the years ended December 31, 2007 and 2008, affiliates of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2008 and June 30, 2009 in the amounts of $107,425 and $57,181, respectively. The advances are uncollateralized and due on demand and had total accrued interest of $18,000 and $1,715 as of December 31, 2008 and June 30, 2009, respectively.

During the six months ended June 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company which have a balance of $47,500. The advances were uncollateralized and due on demand.

Credit Agreement

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

$198,474 and $2,456 which was credited to Additional paid in capital and charged to financing fees associated with the advances under this Agreement in 2008 and 2007 respectively.

The Company has also agreed to issue to each lender as a financing fee, 100 shares of common stock for every $1,000 of advances made under the Credit Agreement. The credit agreement is collateralized by a senior lien and security interest in the Company s tangible and intangible assets. .

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $343,000 in principal amount owed under a Credit Facility. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of $82,000.

Lines of Credit -The Company assumed a $25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 14.25% as of June 30, 2009. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek, LLC's Managing Member and our former general manager. The outstanding balance as of June 30, 2009 was $22,978.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America (formerly MBNA) with interest at the rate of 27.98%. The debt on the credit card was uncollateralized but guaranteed by Tom Atmore, our former general manager. In 2009, the lender agreed to a payment of $2,000 as payment in full and forgave the remaining balance of $7,193.

Notes Payable	**Current**	**Long-Term**	**Accrued**	**Interest**	**Maturity**	
June 30, 2009	**Portion**	**Portion**	**Interest**	**Rate**	**Date**	**Collateralized**
Lines of Credit						
Wells Fargo (Atmore)	22,978	-	-	14.25%	Demand	No
TOTAL	$ 22,978	-	-			
Notes Payable Related Parties						
Power Curve, Inc. #1	$ 2,000	-	$ 7,920	9%	Sep., 2008	Yes
Power Curve, Inc. #2	90,000	-	16,200	9%	Dec., 2008	Yes
Power Curve, Inc. #3	100,000	-	20,000	8%	Dec., 2008	Yes
John C. Power #1	131.700	-	21,076	9%	Dec., 2008	Yes
John C. Power - BCB	10,000		-			
John Gibbs	100,000	-	3,851	6%	Dec., 2009	Yes
Cliff Neuman -BCB	24,000	-	-	15%	July, 2009	Yes
Sea Ranch Lodge & Village	57,181	-	1,715	12%	Demand	No
TOTAL	$ 514,881	-	$ 70,762			
Notes Payable - Unaffiliated						
B. Detweiller	8,136	-	5,132	8%	Demand	No

BRK Holdings, LLC	17,950	-	2,747	12.246%	Nov., 2008	No
	$ 26,086	$ -	$ 7,879			

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

4. Related Party Transactions

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrued interest at the rate of 9% per annum, and was payable in monthly payments of principal and interest based upon a five year amortization, and was due in full March, 2008. As of June 30, 2009, the principle balance of the Power Curve, Inc. note was $2,000 with accrued interest of $7,920. The other notes and all accrued interest have been paid from the proceeds of equipment sales.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and matured December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of June 30, 2009, these notes had current maturities of $131,700 and $90,000 respectively and had accrued interest of $21,076 and $16,200 respectively. During the three months ended June 30, 2009 payments of $83,300 were made to John Power on this note.

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 June 30, 2009 the note had accrued interest of $5,132.

During the twelve months ended December 31, 2007, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2007, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and matured on December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. On December 31, 2008 John Power forgave the $115,000 debt, plus $9,200 in accrued interest, and Power Curve forgave $55,000 of its debt, plus the $5,700 portion of accrued interest. Consequently, as of June 30, 2009, these notes had current maturities of $0 and $100,000 respectively and had accrued interest of $0 and $20,000 respectively.

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

1.

John C. Power and Power Curve, Inc. (collectively Power), the former being the President, Director and principal shareholder of the Company, assigned to Shana

---

Capital Ltd., a Colorado corporation (Shana Capital) an advance owed to Power by the Company in the amount of $112,500.

2.

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

3.

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. These notes remain unpaid as of June 30, 2009.

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.

The Company had previously issued an aggregate of 300,000 shares of Series A Convertible Preferred Stock to two non-affiliated investors and, effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from $0.75 per share to $0.04 per share. Both of the investors agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company s $.0001 par value common stock at the revised conversion price.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture was in the principal amount of $30,000 and was not collateralized and was repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant. On June 15, 2009 the balance of the debenture and $70,000 of accounts payable to its legal counsel were converted to 2,500,000 shares of common stock at $.04 per share. All accrued interest was forgiven

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is collateralized by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is guaranteed by of John C. Power, the Company s Chief Executive Officer. As of June 30, 2009, the balance of this note and all accrued interest was paid in full.

Effective December, 2008, the Company s subsidiary issued a note in the principal amount of $200,000 to evidence a note. The note accrues interest at the rate of 6% per annum and is due and payable, in full, on December 31, 2009. The note was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price equal to $0.10 per share, which was at or above the public trading price of the Company s common stock on the date of grant. The note was collateralized by the marketable securities held by our Washington subsidiary and 100% of the common stock of our Washington subsidiary. The total value of advances under the note during 2008 and three months of 2009 representing deferred financing fees is $75,670 and $17,453 which was credited to Additional paid in capital and charged to financing fees associated with the advances under this Agreement in 2008 and three months of 2009 respectively. In January, 2009, the balance owed under this note was reduced by a payment from the proceeds of securities sales to $183,250.

On June 15, 2009, the Company entered into an Agreement to Convert Debt with an related party investor, pursuant to which the investor agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $83,250 in principal amount owed by the Company s wholly-owned Washington subsidiary. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share resulting a gain on the forgiveness of debt in the amount of $16,650.

Simultaneously, the remaining balance on the note of the $100,000 became due and payable on June 30, 2009. In July 2009, an additional $60,000 was paid on this note from the sale of securities.

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

The current balance on the Neuman note is $19,000 plus accrued interest. The current balance on the Power note is $4,000 plus accrued interest.

Additionally, on April 28, 2009, Butte Creek executed an Agreement with GWB-CA pursuant to which Butte Creek will extend advances as a factor to GWB-CA and GWB-CA will assign to Butte Creek, as collateral for repayment of the advances, all accounts receivable of GWB-CA. Repayment of the advances is secured by a Promissory Note dated April 28, 2009 in the original principal amount of $48,000 and Security Agreement covering Butte Creek s accounts receivable and the filing of a Uniform Commercial Code financing statement. The remaining outstanding balance on this note as of June 30, 2009 was $34,000 plus accrued interest.

During the years ended December 31, 2007 and 2008, affiliates of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2008 and June 30, 2009 in the amounts of $107,425 and $57,181, respectively. The advances are uncollateralized and due on demand and had total accrued interest of $18,000 and $1,715 as of December 31, 2008 and June 30, 2009, respectively.

During the three months ended June 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company and its subsidiaries which have a balance of $47,500. The advances were uncollateralized and due on demand.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminated on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and was 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 terminated on December 31, 2008. The total value of advances under the credit facility during 2008 and 2007 representing deferred financing fees is $198,474 and $2,456 which was credited to Additional paid in capital and charged to financing fees associated with the advances under this Agreement in 2008 and 2007 respectively.

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

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $343,000 in principal amount owed under a Credit Facility. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of $82,000.

These related party transactions have not been evaluated for fairness.

5. Operating Leases

Effective July 1, 2005, the Company entered into a five year lease for office and warehouse space in Chico, California for Butte Creek. The lease provided for initial monthly rent of $3,150, which increased to $3,726 in July 2006 and is subject to annual increases every year starting in July 2007 based on the Consumer Price Index, and expires in 2010.

Future minimum lease payments under this lease are as follows:

Year Ending December 31,

2009	$22,356
2010	$22,356

On February 9, 2009, BRK Holdings, LLC (landlord) filed suit against us for 4 months of delinquent rent of $14,904 and legal fees of $800. We have negotiated a settlement that allows us to retain possession of the premises by paying rent on a month-to-month basis. We have paid rent in March - July 2009 and rent is due each month thereafter by the 5th of that month as long as the premises remain in our possession. We are still liable for the delinquent rent amount of $14,904, legal fees of $800 and future rents due under the lease.

6. Commitments & Contingencies

A. *Delinquent Taxes*

At June 30, 2009, the Company had outstanding payroll tax liabilities of $43,702. Of these amounts $41,915 are considered delinquent.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Tax and trade Bureau ("TTB"), and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At June 30, 2009, the Company had alcohol related taxes payable to federal and state taxing authorities of $6,129. The detail of those taxes payable is as follows:

	June 30, 2009		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$ 42,623	$ 41,915	PAYROLL TAXES
CA Employment Development Department	$ 1,079	$ 0	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 2,706	$ 2,706	EXCISE TAX
CA Board of Equalization	$ (364)	$ 0	EXCISE TAX
CA Board of Equalization	$ 0	$ 0	SALES AND USE TAX
CA Department of Conservation	$ 24,190	$ 24,190	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$ 3,558	$ 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.

20

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

1.

On January 6, 2009, Capital Beverage Co. and Capital Coors Co. (Capital) filed suit against Crown Imports LLC, Butte Creek Brewing Company and Bison Brewing Company alleging that the defendants had unlawfully cancelled their distribution contracts with Capital. Capital is seeking damages equal to fair market value of the respective brands. This amount is expected not to exceed $75,000. We intend to vigorously defend this lawsuit but a contingency exists as to the ultimate outcome in this matter.

2.

On February 9, 2009, BRK Holdings, LLC (landlord) filed suit against us for 4 months of delinquent rent of $14,904 and legal fees of $800. We have negotiated a settlement that allows us to retain possession of the Chico brewery premises by paying rent on a month-to-month basis. We have paid rent in March - July 2009 and rent is due each month thereafter by the 5th of that month as long as the premises remain in our possession. We are still liable for the delinquent rent amount of $14,904, legal fees of $800 and future rents due under the lease.

7. Common and Preferred Stock:

PREFERRED STOCK

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

1 John C. Power and Power Curve, Inc. (collectively Power), the former being the President, Director and principal shareholder of the Company, assigned to Shana Capital Ltd., a Colorado corporation (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. These notes remain unpaid as of June 30, 2009.

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.

The Company had previously issued an aggregate of 300,000 shares of Series A Convertible Preferred Stock to two non-affiliated investors and, effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from $0.75 per share to $0.04 per share. Both of the investors agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company s $.0001 par value common stock at the revised conversion price.

COMMON STOCK

In December, 2007, the Company entered into a Credit Agreement with four individuals providing for a revolving line of credit in the maximum principal amount of $350,000. The Company agreed to pay a financing fee in the form of 100 shares of common stock for every $1,000 in advances made under the Credit Agreement. A total of 19,300 shares were issued in 2008 under this agreement. As of June 30, 2009, the Company has borrowed $343,000 under the Credit Agreement and has issued an aggregate of 34,300 shares of common stock as a financing fee.

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $343,000 in principal amount owed under a Credit Facility. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of $82,000. This investor group included several realated parties.

Effective December, 2007, the Company issued a Convertible Debenture in the principal amount of $30,000 evidencing a portion of its outstanding account payable in favor of its legal counsel. The Debenture was convertible at the option of the holder into shares of common stock at a conversion price equal to $0.60 per share. On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company s legal counsel, pursuant to which Clifford L. Neuman, PC agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and $30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The Shares were valued at $0.04 per share

The fair value of the beneficial conversion feature represents financing fees under the Agreement, and are valued using the Black Scholes pricing model at the time the advance is made. The total value of advances under this conversion for 2008 representing deferred financing fees is $15,110 which was credited to Additional paid in capital and charged to deferred financing fees.

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

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

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

On June 15, 2009, the Company entered into an Agreement to Convert Debt with an entity controlled by John C. Power, pursuant to which the entity agreed to accept, and the Company agreed to issue, 1,070,475 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $42,819 in principal debt and forgiveness of accrued but unpaid interest owed by the Company to the entity through June 15, 2009. The balance of the $100,000 advance is to be carried forward. The Shares were valued at $0.04 per share.

On June 15, 2009, the Company entered into an Agreement to Convert Debt with an related party investor, pursuant to which the investor agreed to accept, and the Company agreed to issue, 1,665,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $83,250 in principal amount owed by the Company s wholly-owned Washington subsidiary. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share which resulted in a debt forgiveness of $16,650.

The Company had previously issued an aggregate of 300,000 shares of Series A Convertible Preferred Stock to two non-affiliated investors and, effective June 15, 2009 the Company agreed to lower the conversion price of the Series A Convertible Preferred Stock from $0.75 per share to $0.04 per share. Both of the investors agreed to convert their Series A Preferred Convertible Stock into an aggregate of 4,500,000 shares of the Company s $.0001 par value common stock at the revised conversion price.

8. Income Taxes

The Company has an estimated net operating loss carry forward, net of unrealized loss on securities sales of $79,555, of approximately $3,110,484 as of December 31, 2008, to offset future taxable income. The net operating loss carry forward, if not used, will expire in various years through 2025, and may be restricted if there is a change in ownership. No deferred income taxes have been recorded because of the uncertainty of future taxable income to be offset.

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

	June 30, 2008	Prior Years
Net operating gain (losses) carry forward	$ 30,570	$ (2,285,175)
Effective Tax rate	18.5%	18.5%
Deferred income tax	-	422,757
Deferred income tax allowance	-	(422,757)
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. Equity Incentive Plan:

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. That in consideration of their services to the Company, certain consultants, employees, officers and directors were granted non-qualified stock options exercisable to purchase, in the aggregate 400,000 shares of common stock at an exercise price of $0.50 per share. The foregoing options are exercisable until December 31, 2012, their Expiration Date . The foregoing options are subject to vesting and become exercisable 50% on the date of grant; 16.67% on July 31, 2007; 16.67% on July 31, 2008; and 16.67% on July 31, 2009, subject to the holder continuing to serve in their positions with the Company, or in some other capacity as shall be approved by the Company and the holder, on each vesting date. Options vest over 5 years and the expense for the three and six month periods ended June 30, 2009 was $3,338 and $6,676, respectively .

The options were granted to five persons who serve as directors, employees or consultants to the Company. Presently only one of the five original recipients is still with the Company. The one remaining option holder still with the Company has 50,000 options. All of the other options have expired except for 75,000 options that were vested to Scott Burchell as part of his separation agreement with the Company. The options held by Burchell will expire on August 8, 2011. The shares issuable upon exercise of the options will be restricted securities within the meaning of Rule 144 under the Securities Act of 1933, as amended.

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

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

The following tables present summarized information about fixed price stock options at June 30, 2009:

Options outstanding at December 31, 2007	400,000
Granted	-
Exercised	-
Forfeitures	(275,000)
Options outstanding at June 30, 2009	125,000

Exercise Price	Weighted Average Number Outstanding	Weighted Average Contractual Life	Weighted Average Price	Number Exercisable
$0.50	350,000	5 years	$0.50	125,000

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

Expected volatility	75%
Risk-free interest rate	4.85%

10. Subsequent Events:

Subsequent to June 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company in the amount of $36,600. The advances were uncollateralized and due on demand.

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

* Sales. Our shortage of working capital has forced us to reduce inventories and new products. Our closure of our brewing facility in Chico, California will also negatively impact our sales as we transition to a contract brewing model. Furthermore, we have discontinued all of our contract brewing for other customers. We expect sales in 2009 to be significantly below our 2008 sales as we make the transition to outsourcing our production. We are seeking financing to build inventory and sales. Our new contract facility produced our Organic IPA and Pale Ale in March 2009 that wasn t available to our distributors until April 2009. Our Organic Pilsner and Porter wasn t produced until May 2009 and wasn t available to our distributors until June 2009. We do not have the necessary working capital to maintain adequate inventory levels which may negatively impact our sales.

* Increase Gross Profit Margin. Our goal is to increase our gross profit margin to 20% of sales. This will require us to raise our prices in 2009. A price increase will almost certainly decrease our gross sales. We believe the conversion from an operating brewery to a contract model will help us increase our gross profit margin in 2009.

* Control Selling, General & Administrative Expenses. As a result of converting to a contract brewing model, we have been able to reduce our selling and G&A expenses. We have eliminated most of our controllable expenses. As of June 30, 2009, we only have 2 salaried full-time employees.

* Working Capital Shortage. Our history of working capital deficiencies make it difficult to raise capital to build inventory. We owe delinquent taxes to the IRS and several Federal and State agencies. We have secured loans to make a minimum amount of inventory.

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

* Continued Operating Losses. Our history of operating losses makes it difficult to raise capital for our working capital needs. We believe that our new contract brewing model will help us reduce our operating losses in 2009.

* Lack of Inventory Controls. Historically our inventory controls have been weak. Prior efforts to improve our inventory controls had been unsuccessful. In 2009, all of our inventory will be maintained at independent warehouses. We believe this will improve our inventory control.

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

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

Critical Accounting Policies and Estimates

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

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

Overview - Factors Affecting Results of Operations

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

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

Operating and Financial Review and Prospects

Operating Results

For the three months ended June 30, 2009 compared to the three months ended June 30, 2008:

REVENUES Gross Revenues and Revenues net of excise taxes (Net Revenues) were $74,528 and $72,681, respectively, for the three months ended June 30, 2009. Net Revenues decreased $204,168 or 73.1% as compared to net revenues of $276,849 for the three months ended June 30, 2008. Our lack of working capital and inability to maintain adequate inventory was the primary cause of our decrease in sales. Furthermore, we closed our brewery in January 2009 and eliminated all of our contract brewing sales. It also took longer to commence outsourcing of our production than we had anticipated.

COST OF GOODS SOLD Cost of goods sold for the three months ended June 30, 2009 was $66,712 or 91.8% of beer sales revenues compared to $263,603 or 95.2% of net sales for the three months ended June 30, 2008. Our Cost of Goods Sold as a percentage of sales decreased as we converted our ;production into a contract brewing facility and ceased production at our Chico, California facility.

GROSS PROFIT Gross profit for the three months ended June 30, 2009 was $5,969 or 8.2% of net revenues compared to $13,246 or 4.8% of net revenues for the three months ended June 30, 2008. Our Gross Profit decreased due to our significant reduction of sales.

OPERATING EXPENSES Total operating expenses decreased $88,973 or 41.8% to $123,924 for the three months ended June 30, 2009. Components of operating expenses were:

* Amortization expense was $1,250 for the three months ended June 30, 2009 compared to $1,586 for the three months ended June 30, 2008.
* Management compensation was $0 for the three months ended June 30, 2009 compared to $24,088 for the three months ended June 30, 2008. The decrease was related to a reduction of salaried employees.
* Selling expense was $4,614 for the three months ended June 30, 2009 compared to $29,907 for the three months ended June 30, 2008. We aggressively reduced our selling expense as we did not have sufficient inventory levels to warrant selling efforts in the quarter. We reduced our trade show, travel expenses and all discretionary selling expenses.
* Legal and Accounting expense was $33,555 for the three months ended June 30, 2009 compared to $46,133 for the three months ended June 30, 2008.
* Stock Based Compensation was $3,338 for the three months ended June 30, 2009 compared to $3,338 for the three months ended June 30, 2008.
* Deferred Financing Costs were $67,469 for the quarter ended June 30, 2009 which were increased by 40% from $48,113 for the same period in 2008. The increase was due to the full conversion of the associated instruments to common shares.
* Other General & Administrative Operating Expenses decreased $46,035 or 77% to $13,697 for the three months ended June 30, 2009 compared to $59,732 for three months ended June 30, 2008.

OPERATING LOSS. The operating loss for the three months ended June 30, 2009 decreased $81,695 or 41% to $117,955 compared to $199,650 for the three months ended June 30, 2008. The primary reason for the reduced operating loss was our substantial reduction in operating expenses.

DISCONTINUED OPERATIONS. In the first quarter of 2009 the company closed its manufacturing facility in Chico, CA and entered into a three (3) year contract with Mendocino Brewing Company, Inc. to outsource the production of our certified organic beers. During the three months ending June 30, 2009 the company sold most of its brewing equipment. As a result, the company had a gain from discontinued operations of for the three months ended June 30, 2009 of $64,862 compared to a loss for discontinued operations of $24,709 for the comparable period in 2008.

OTHER INCOME & EXPENSE. Net other income and expense increased by $287,040 to a gain of $256,075 for the three months ended June 30, 2009 compared to loss of $30,965 for the three months ended June 30, 2008. The gain. was primarily the result of debt forgiveness totaling $165,753, and a gain on the sale of previously written down marketable securities of $98,015

NET INCOME (LOSS). Net Income increased $458,307 or 179% to a profit of $202,982 for the three months ended June 30, 2009 compared to a loss of $(255,325) for the three months ended June 30, 2008. The reduction in our net loss was primarily the result of debt forgiveness totaling

$165,753, a gain on the sale of previously written down equipment of $74,895 and a gain on the sale of previously written down marketable securities of $98,015.

For the six months ended June 30, 2009 compared to the six months ended June 30, 2008:

REVENUES Gross Revenues and Revenues net of excise taxes (Net Revenues) were $118,969 and $115,241, respectively, for the six months ended June 30, 2009. Net Revenues were decreased $435,590 or 79% as compared to net revenues of $550,831 for the six months ended June 30, 2008. Our lack of working capital and inability to maintain adequate inventory was the primary cause of our decrease in sales. Furthermore, we closed our brewery in January 2009 and eliminated all of our contract brewing sales. It also took longer to commence outsourcing of our production than we had anticipated.

COST OF GOODS SOLD Cost of goods sold for the six months ended June 30, 2009 was $108,995 or 94.6% of beer sales revenues compared to $475,905 or 86.4% of net sales for the six months ended June 30, 2008. Our Cost of Goods Sold as a percentage of sales increased due to higher prices for raw materials and a substantial decrease in our production due to the closure of our brewing facility in January 2009

GROSS PROFIT Gross profit for the six months ended June 30, 2009 was $6,246 or 5.4% of net revenues compared to $74,926 or 13.6% of net revenues for the six months ended June 30, 2008. Our Gross Profit decreased due to our significant reduction of sales and our higher Cost of Goods Sold as described above

OPERATING EXPENSES Total operating expenses decreased $89,249 or 30% to $208,866 for the six months ended June 30, 2009. Components of operating expenses were:

* <u>Amortization expense</u> was $2,500 for the six months ended June 30, 2009 compared to $3,173 for the six months ended June 30, 2008.
* <u>Management compensation</u> was $11,250 for the six months ended June 30, 2009 compared to $59,674 for the six months ended June 30, 2008. The decrease was related to a reduction of salaried employees.
* <u>Selling expense</u> was $9,870 for the six months ended June 30, 2009 compared to $64,449 for the six months ended June 30, 2008. We aggressively reduced our selling expense as we did not have sufficient inventory levels to warrant selling efforts in the quarter. We reduced our trade show, travel expenses and all discretionary selling expenses.
* <u>Legal and Accounting</u> expense was $60,352 for the six months ended June 30, 2009 compared to $65,714 for the six months ended June 30, 2008.
* <u>Stock Based Compensation</u> was $6,676 for the six months ended June 30, 2009 compared to $6,676 for the six months ended June 30, 2008.

* Deferred Financing Costs were $84,922 for the quarter ended June 30, 2009 which were reduced by 2% from $86,927 for the same period in 2008. A reduction in the amount of convertible debt instruments was the primary reason for the reduction.
* Other General & Administrative Operating Expenses increased $21,794 or 189% to $33,296 for the six months ended June 30, 2009 compared to $33,296 for six months ended June 30, 2008.

OPERATING LOSS. The operating loss for the six months ended June 30, 2009 decreased $20,569 or 9% to $202,620 compared to $223,189 for the six months ended June 30, 2008. The primary reason for the reduced operating loss was our substantial reduction in operating expenses.

DISCONTINUED OPERATIONS. In the first quarter of 2009 the company closed its manufacturing facility in Chico, CA and entered into a three (3) year contract with Mendocino Brewing Company, Inc. to outsource the production of our certified organic beers During the three months ending June 30, 2009 the company sold most of its brewing equipment. As a result, the company had a gain from discontinued operations of for the six months ended June 30, 2009 of $24,135 compared to a loss for discontinued operations of $145,132 for the comparable period in 2008.

OTHER INCOME & EXPENSE. Net other income and expense increased by $275,816 to a gain of $209,055 for the six months ended June 30, 2009 compared to loss of $66,761 for the six months ended June 30, 2008. The gain. was primarily the result of debt forgiveness totaling $165,753 and a gain on the sale of previously written down marketable securities of $80,311.

NET INCOME (LOSS). Net Income increased $165,652 to a profit of $30,570 for the six months ended June 30, 2009 compared to a loss of $(435,082) for the six months ended June 30, 2008. The reduction in our net loss was primarily the result of debt forgiveness totaling $165,753, a gain on the sale of previously written down equipment of $68,142 and a gain on the sale of previously written down marketable securities of $80,311.

Liquidity and Capital Resources

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

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

We had cash and cash equivalents and a working capital deficit of $927,432 at June 30, 2009. Our total debt, all short-term, was $1,139,737 at June 30, 2009. We do not have sufficient cash on hand or available credit facilities to continue operations and are dependent upon securing loans or the sale of equity to provide adequate working capital to continue operations. We have raised capital through the sales of unregistered securities and advances and/or loans from its officers and directors to acquire Butte Creek, and fund operating losses and working capital needs after its acquisition. There are no assurances that we will be able to secure additional capital to maintain the operations.

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

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

Lines of Credit

The Company assumed a $25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 14.25% as of June 30, 2009. The card is uncollateralized and guaranteed by Tom Atmore, our former general manager. The outstanding balance as of June 30, 2009 was $22,978.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America (formerly MBNA) with interest at the rate of 27.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore our former general manager. The lender agreed to a payment of $2,000 as payment in full and forgave the remaining balance of $7,193.

Notes Payable

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, was due in full March, 2008. As of June 30, 2009, the principle balance of the Power Curve, Inc. note was $2,000 with accrued interest of $7,920. The other notes and all accrued interest have been paid from the proceeds of equipment sales.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and matured December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of June 30, 2009, these notes had current

maturities of $131,700 and $90,000 respectively and had accrued interest of $21,076 and $16,200 respectively. During the three months ended June 30, 2009 payments of $83,300 were made to John Power on this note.

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 June 30, 2009 the note had accrued interest of $5,132.

During the twelve months ended December 31, 2007, John Power and Power Curve, Inc. made advances to the Company of $115,000 and $155,000, respectively. The advances were uncollateralized and due on demand. On December 31, 2007, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and matured on December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. On December 31, 2008 John Power forgave the $115,000 debt, plus $9,200 in accrued interest, and Power Curve forgave $55,000 of its debt, plus the $5,700 portion of accrued interest. Consequently, as of June 30, 2009, these notes had current maturities of $0 and $100,000 respectively and had accrued interest of $0 and $20,000 respectively.

In January, 2008, the Company issued a convertible debenture to represent a portion of its outstanding indebtedness to its legal counsel. The debenture was in the principal amount of $30,000 is not collateralized and was repayable, together with interest at the rate of 8% per annum, on or before December 31, 2008. The debenture was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price of $0.60 per share, which was at or above market price on the date of grant On June 15, 2009, the Company entered into an Agreement to Convert Debt with Clifford L. Neuman, PC, the Company s legal counsel, pursuant to which Clifford L. Neuman, PC agreed to accept, and the Company agreed to issue, 2,500,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $70,000 in accrued and unpaid fees for services rendered in the capacity of legal counsel and $30,000 under a convertible debenture. All accrued and unpaid interest under the debenture was waived. The Shares were valued at $0.04 per share

In March, 2008, the Company borrowed the principal sum of $50,000 from one lender, the proceeds of which were used for working capital. The note is repayable, together with interest at the rate of 10% per annum, on or before May 31, 2008. The promissory note is collateralized by a UCC security interest against the Company s inventory and accounts receivable associated with the launch of its new brand Blue Marble Organic Pilsner. The loan is guaranteed by of John C. Power, the Company s Chief Executive Officer. As of June 30, 2009, the balance of this note and all accrued interest was paid in full.

Effective December, 2008, the Company s subsidiary issued a note in the principal amount of $200,000 to evidence a note. The note accrues interest at the rate of 6% per annum and is due and payable, in full, on December 31, 2009. The note was convertible, at the option of the holder, into shares of the Company s common stock at a conversion price equal to $0.10 per share, which was at or above the public trading price of the Company s common stock on the date of grant. The note was collateralized by the marketable securities held by our Washington subsidiary and 100% of the common stock of our Washington subsidiary. The total value of advances under the note during 2008 and three months of 2009 representing deferred financing fees is $75,670 and $17,453 which was credited to Additional paid in capital and charged to financing fees associated with the advances under this Agreement in 2008 and three months of

2009 respectively. In January, 2009, the balance owed under this note was reduced by a payment from the proceeds of securities sales to $183,250. In June, 2009, $83,250 of the note was converted into 1,665,000 common shares valued at $0.04 and we recorded a gain on the forgiveness of debt in the amount of $16,650. Simultaneously, the remaining balance on the note of the $100,000 became due and payable on June 30, 2009. In July 2009, an additional $60,000 was paid on this note from the sale of securities.

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

Additionally, on April 28, 2009, Butte Creek executed an Agreement with GWB-CA pursuant to which Butte Creek will extend advances as a factor to GWB-CA and GWB-CA will assign to Butte Creek, as collateral for repayment of the advances, all accounts receivable of GWB-CA. Repayment of the advances is secured by a Promissory Note dated April 28, 2009 in the original principal amount of $48,000 and Security Agreement covering Butte Creek s accounts receivable and the filing of a Uniform Commercial Code financing statement The balance on this note as of June 30, 2009 was $29,000.

During the years ended December 31, 2007 and 2008, affiliates of Mr. Power made short-term advances to the Company that remained unpaid as of December 31, 2008 and June 30, 2009 in the amounts of $107,425 and $57,181, respectively. The advances are uncollateralized and due on demand and had total accrued interest of $18,000 and $1,715 as of December 31, 2008 and June 30, 2009, respectively.

During the six months ended June 30, 2009, John Power and affiliates of Mr. Power made additional short-term advances to the Company which have a balance of $47,500. The advances were uncollateralized and due on demand.

Credit Agreement

In December, 2007, the Company entered into a Credit Agreement whereby the Company was extended a line of credit by four individual lenders, including two affiliates, in the maximum principal amount of $350,000. The Credit Agreement terminated on December 31, 2008. The outstanding credit balance under the Credit Agreement accrues interest at the rate of 8% per annum and is payable, at the option of the lender, either in cash or in shares of the Company s common stock valued at the then applicable conversion price. The credit balance 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 terminated on December 31, 2008. The total value of advances under the credit facility during 2008 and 2007 representing deferred financing fees is $198,474 and $2,456 which was credited to Additional paid in capital and charged to financing fees associated with the advances under this Agreement in 2008 and 2007 respectively.

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 was collateralized 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, Shana Capital and Clifford L. Neuman, the Company s legal counsel.

On June 15, 2009, the Company entered into an Agreement to Convert the Debt under the credit facility with the investors, pursuant to which the investors agreed to accept, and the Company agreed to issue, 6,860,000 shares of common stock, $.0001 par value (the Common Stock or Shares) in satisfaction of $343,000 in principal amount owed under a Credit Facility. All accrued and unpaid interest as of June 15, 2009 was waived and forgiven. The Shares were valued at $0.04 per share and the Company recorded a gain on the forgiveness of debt in the amount of $82,000.

Delinquent Taxes

At June 30, 2009, the Company had outstanding payroll tax liabilities of $43,702. Of these amounts $41,915 are considered delinquent.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Tax and trade Bureau ("TTB"), and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At June 30, 2009, the Company had alcohol related taxes payable to federal and state taxing authorities of $6,129. The detail of those taxes payable is as follows:

	June 30, 2009		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$ 42,623	$ 41,915	PAYROLL TAXES
CA Employment Development Department	$ 1,079	$ 0	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 2,706	$ 2,706	EXCISE TAX
CA Board of Equalization	$ (364)	$ 0	EXCISE TAX
CA Board of Equalization	$ 0	$ 0	SALES AND USE TAX
CA Department of Conservation	$ 24,190	$ 24,190	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$ 3,558	$ 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.

Overview of Product Distribution

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

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

Certain Considerations: Issues and Uncertainties

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

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

Developments that make our products less competitive;

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

The level of demand for our products; and

Availability of sufficient working capital.

Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during 2009, 2008, 2007, 2006, 2005, 2004 and 2003, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

The Principal Executive Officer and Principal Financial Officer conducted an update review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on his evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms and to ensure that the information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure. The principal deficiency in our disclosure controls and procedures is our lack of a dedicated Chief Financial Officer who is primarily responsible for our public disclosures and financial reporting. 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**

None.

Item 3. **Defaults Upon Senior Securities**

None, except as previously disclosed

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

None, except as previously disclosed.

Item 5. **Other Information**

None, except as previously disclosed.

Item 6. **Exhibits**

Exhibits

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

SIGNATURES

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

GOLDEN WEST BREWING COMPANY, INC.

Date: August 18, 2009

By: */s/ John C. Power*

John C. Power, Chief Financial

Officer, Principal Accounting Officer