

EMPIRE

BEER GROUP LIMITED

ABN 45 119 327 169

PROSPECTUS

THIS PROSPECTUS IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ THIS PROSPECTUS IN ITS ENTIRETY BEFORE
DECIDING WHETHER TO APPLY FOR THE SECURITIES.
THE DIRECTORS CONSIDER AN INVESTMENT IN THE SECURITIES
TO BE SPECULATIVE AND YOU SHOULD CONSULT YOUR
PROFESSIONAL ADVISERS FOR ADVICE IN RESPECT OF THE
CONTENTS OF THIS PROSPECTUS.

THIS IS A REPLACEMENT DOCUMENT THAT REPLACES THE
PROSPECTUS DATED 13 OCTOBER 2006.

CORPORATE DIRECTORY

DIRECTORS	MEL ASHTON NON-EXECUTIVE CHAIRMAN PHILLIP GALLAGHER MANAGING DIRECTOR IAN MACLIVER NON-EXECUTIVE DIRECTOR KATE LAMONT NON-EXECUTIVE DIRECTOR PHILIP LUCAS NON-EXECUTIVE DIRECTOR
COMPANY SECRETARY	KIM MASSEY
REGISTERED OFFICE	945 WELLINGTON STREET, WEST PERTH WA 6005
INVESTIGATING ACCOUNTANT	BDO CONSULTANTS (WA) PTY LTD LEVEL 8, 256 ST GEORGES TERRACE, PERTH WA 6805
AUDITOR	BDO CHARTERED ACCOUNTANTS & ADVISERS LEVEL 8, 256 ST GEORGES TERRACE, PERTH WA 6000
SOLICITORS	PULLINGER READHEAD LUCAS 50 KINGS PARK ROAD, WEST PERTH WA 6005
CORPORATE ADVISERS	GRANGE CONSULTING GROUP PTY LTD 945 WELLINGTON STREET, WEST PERTH WA 6005
LEAD MANAGER	MAX CAPITAL PTY LTD 945 WELLINGTON STREET, WEST PERTH WA 6005 TEL: (08) 9322 6052 FAX: (08) 9322 7602
SHARE REGISTRY	COMPUTERSHARE INVESTOR SERVICES PTY LTD LEVEL 2, RESERVE BANK BUILDING, 45 ST GEORGES TERRACE, PERTH WA 6000 TEL: (08) 9323 2000 FAX: (08) 9323 2033
PROPOSED ASX CODES	EEE (SHARES) EEEO (OPTIONS)

IMPORTANT NOTICE

This replacement prospectus is dated 24 October 2006 and was lodged with the ASIC on that date. This replacement prospectus replaces the prospectus dated 13 October 2006 and lodged with the ASIC on that date. No securities will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

Neither the ASIC nor ASX nor any of their respective officers take any responsibility for the contents of this Prospectus.

Applications under this Prospectus may not be accepted by the Company until the expiry of the Exposure Period. The Exposure Period expired on 20 October 2006. No preference will be conferred on persons who lodge Applications before the expiry of the Exposure Period.

This Prospectus will be made generally available during the Exposure Period by being posted on the Company's website, www.empirebeergroup.com.au. In addition, copies of the Prospectus will also be available on request to members of the public by calling (08) 9322 6052 during normal business hours in the Exposure Period. Copies may be collected by the requesting party, sent by e-mail, facsimile or post as determined by the Company.

The securities offered by this Prospectus should be considered speculative. Before deciding to invest in the Company or subscribe for securities under the Colonial Offer, potential investors and Colonial Shareholders should read the entire Prospectus and the risk factors that could affect the financial performance of the Company. The price of securities may rise or fall according to a number of factors. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest or subscribe for securities under the Colonial Offer (as the case may be). The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus will be issued as an electronic prospectus in the manner set out in section 2.17.

Please refer to the Glossary at the end of this Prospectus for terms and abbreviations used in this Prospectus.

INVESTMENT HIGHLIGHTS

{ 1 }

Empire Beer Group Limited is seeking to raise \$10,000,000 by way of the issue of Shares at an issue price of \$0.35 each together with an Option to acquire a Share exercisable at \$0.35 on or before 30 November 2008 on the basis of one Option for every four Shares issued.

{ 2 }

Empire has agreed to purchase Colonial Brewing Company in Margaret River, Western Australia. Colonial is a leading brewery in Australia in the exciting and rapidly growing Craft Beer or micro brewery sector.

{ 3 }

Colonial has achieved national recognition through being awarded the coveted Trophy for Champion Small Brewery at the Australian International Beer Awards in 2006.

{ 4 }

In addition to the Champion Small Brewery trophy, Colonial won 4 Best in Class Trophies, 1 Gold medal, 11 Silver medals and 2 Bronze medals at the same awards.

{ 5 }

Colonial has a strong and distinctive brand that supports both direct sales and high-quality hospitality operations.

{ 6 }

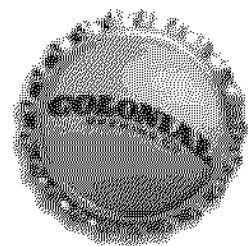
Sales in the Craft Beer segment in Australia have grown by more than 23% over the past 12 months as consumers begin to appreciate different beer styles from around the world.

{ 7 }

The Company intends to locate and develop a second Colonial style venue in a suitable high profile location. The Company has also agreed conditional commercial terms for the Oyster Bar on the Beach on Port Beach Road, Leighton Beach, North Fremantle. The Company will proceed with the Leighton Beach site if oversubscriptions of \$2 million are received under the Public Offer.

{ 8 }

Under this Prospectus, Empire is also offering the Minority Colonial Shareholders a total of 5 million Shares and 5 million Options pro rata to the number of Colonial Shares held by them. Further details on the Colonial Offer are set out in sections 2.19 and 7.6(b) below.



SUMMARY OF THE OFFER

INDICATIVE TIMETABLE	
LODGMET OF REPLACEMENT PROSPECTUS	24 OCTOBER 2006
OPENING DATE	20 OCTOBER 2006
CLOSING DATE (5PM WST)	24 NOVEMBER 2006
ALLOTMENT OF SECURITIES UNDER THE PUBLIC OFFER AND COLONIAL OFFER	1 DECEMBER 2006
DESPATCH OF HOLDING STATEMENTS	1 DECEMBER 2006
TRADING OF SHARES AND OPTIONS TO COMMENCE ON ASX	8 DECEMBER 2006

These dates are indicative only and may vary. Empire reserves the right to close the Offer early, or to extend the Closing Date without prior notice, which may have a consequential impact on other dates.

Applicants are encouraged to submit Applications as soon as possible after the Opening Date.

OFFER STATISTICS	
PUBLIC OFFER PRICE PER SHARE	\$0.35
NUMBER OF SHARES CURRENTLY ON ISSUE	5,100,000
NUMBER OF SHARES BEING OFFERED BY THIS PROSPECTUS UNDER THE PUBLIC OFFER	28,571,429
NUMBER OF SHARES BEING OFFERED TO THE COLONIAL SHAREHOLDERS	6,771,429
NUMBER OF SHARES ON ISSUE FOLLOWING THE OFFER	40,442,858
MARKET CAPITALISATION AT PUBLIC OFFER PRICE (UNDILUTED)	\$14,155,000

The Company will also have on issue 15,842,857 Options and 3,250,000 unlisted 2009 Options to Directors and employees on the terms set out in this Prospectus.

The Company reserves the right to accept over-subscriptions of \$2 million, representing a further 5.71 million Shares and 1.43 million Options, pursuant to the Public Offer.

*The Craft Beer market in the USA
underwent strong growth between
1988 and 2005 as the segment
gained momentum and grew from
2 million litres to over 824 million
litres in 2005.*

*The current share of Craft Beer as a
percentage of the total beer market in
Australia is currently less than 1%.*

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1. CHAIRMAN'S LETTER

DEAR INVESTOR

I welcome you to the opportunity to become a shareholder in Empire Beer Group Limited.

Australia, and in particular Western Australia, continues to be a leader in the development of world class premium small breweries and ales, which is one of the fastest growing and most profitable segments within the international beer market.

This international growth in the trend towards high-quality craft beers is being driven by consumers seeking distinctive tasting and new styles of beer from smaller, specialist craft breweries.

Through its acquisition of Colonial Brewing Company in Margaret River, Western Australia, Empire Beer Group is uniquely placed to capitalise on this growth market.

Colonial Brewing Company has, in a short period, established itself as a leading craft brewery operation. This year Colonial was awarded the coveted "Trophy for Champion Small Brewery" in the 2006 Australian International Beer Awards in Melbourne.

The Directors and senior management of Empire Beer Group have the corporate, management, marketing, product development and venue management skills, expertise and experience to capitalise in this growing trend that is set to increase significantly in Australia over the coming years.

As founders of the Company, we set our sights on building a sustainable and profitable network of world-class craft breweries that are capable of meeting the needs of this growing market throughout Australia.

I am proud to join the Company as its Chairman and be in a position to offer you this opportunity to invest in the Company through this offer of shares to the public.

The Company is seeking to grow the business by further expanding Colonial's Margaret River operations and through the initial acquisition and development of a Fremantle-based site, with other State and Territory locations to follow.

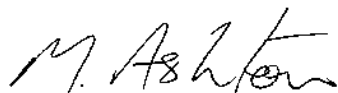
As a result, part of the capital raised will be used to expand Colonial's Margaret River operations through a program of capital improvements aimed at increasing sales and the building of a second much larger venue planned for the Fremantle area.

The Prospectus contains detailed information about the Offer and the Company's operations, financial performance and prospects. I urge you to read it carefully before making your investment decision.

I am genuinely excited about the prospects of the Company and hope that you share my enthusiasm.

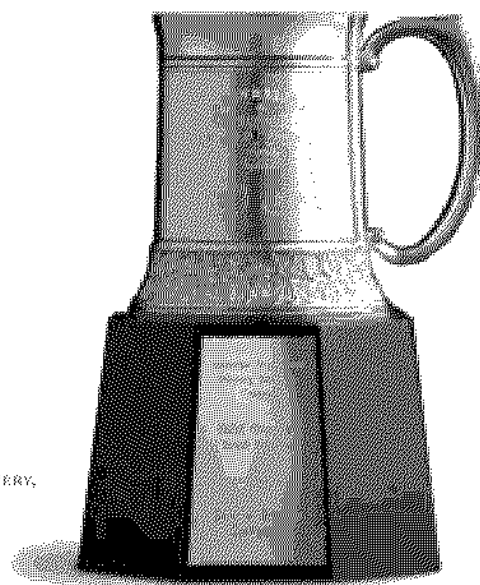
On behalf of the Directors, I commend this investment opportunity to you and look forward to welcoming you as a shareholder of the Company.

YOURS FAITHFULLY,



MEL ASHTON, CHAIRMAN

2006 CHAMPION SMALL BREWERY,
AUSTRALIAN INTERNATIONAL
BEER AWARDS.



2. THE OFFER

2.1 DESCRIPTION OF THE OFFER

Pursuant to the Public Offer, the Company is offering approximately 28.57 million Shares for subscription at an issue price of \$0.35 per Share payable in full on application to raise \$10 million, before costs of the Offer. The Company will also issue one free Option exercisable at \$0.35 on or before 30 November 2008 for every four Shares issued. Any fractional entitlement to Options will be rounded up to the nearest whole number.

The Company has also reserved the right to accept oversubscriptions for a further \$2 million, which if raised, will be used to acquire the Leighton Beach site in North Fremantle.

All Applications made for the Public Offer should only be made on the Public Offer Application Form attached to this Prospectus.

Under this Prospectus the Company is also making the Colonial Offer, being an offer to the existing shareholders in Colonial, details of which are set out in section 2.19 below, as part consideration for the acquisition of Colonial.

2.2 CAPITAL STRUCTURE

The capital structure of the Company after the completion of the \$10 million raising, assuming both the Public Offer and the Colonial Offer are fully subscribed, is set out below:

	SHARES	LISTED OPTIONS	UNLISTED 2009 OPTIONS	\$
SECURITIES CURRENTLY ON ISSUE	5,100,000	1,000,000	3,250,000	750,000
SECURITIES TO BE ISSUED TO THE COLONIAL SHAREHOLDERS	6,771,429	7,700,000	—	(3,600,000)
SECURITIES TO BE ISSUED PURSUANT TO THE PUBLIC OFFER	28,571,429	7,142,857	—	10,000,000
EXPENSES OF THE OFFER	—	—	—	(890,000)
TOTAL	40,442,858	15,842,857	3,250,000	6,260,000

Note 1: Details of the Colonial Offer are set out in section 2.19 below. The Company has agreed to pay \$3.6 million and issue 1,771,429 Shares and 2,700,000 Options to Golden Hind as consideration for the acquisition of its Colonial Shares. Please refer to section 7.6(b) of this Prospectus for further details of the acquisition.

Note 2: The Company has the right to accept oversubscriptions for a further \$2 million representing approximately 5.71 million Shares and 1.43 million Options.

Note 3: The Company has issued 3.25 million 2009 Options to Directors and management on the terms set out in this Prospectus.

Note 4: The Company has agreed to issue 857,143 Shares and 214,286 Options to the vendor of the Leighton Beach site, North Fremantle as part of the purchase price for that site. This acquisition will only proceed if oversubscriptions of \$2 million are received (see note 2 above). The Company is required to issue the vendor 285,714 Shares and 71,429 Options in certain circumstances. Please refer to section 7.6(h) of this Prospectus for details of the acquisition agreement.

Note 5: The Company has agreed to issue 150,000 Shares to each of Phillip Gallagher, the Managing Director and Dean McLeod, the Company's Head Brewer (refer to sections 7.6(c), 7.6 (d) and 7.8) and under certain circumstances 600,000 Shares to directors and advisers (refer to section 7.8).

Details on the rights attaching to the Shares, the Options and the 2009 Options are set out in sections 7.1, 7.2 and 7.3 respectively below.

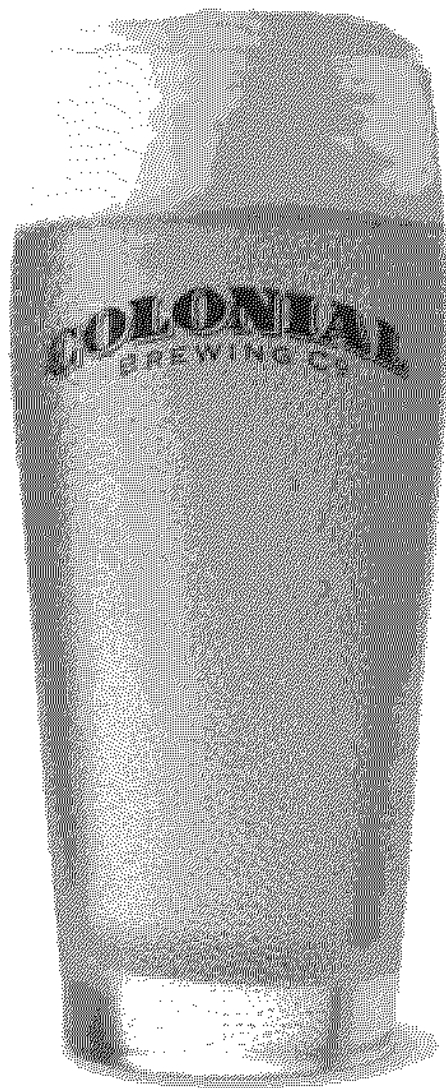
2.3 OFFER PERIOD

Applications may be lodged at any time after the date of lodgment of this Prospectus with the ASIC. However, Applications cannot be accepted by the Company until 20 October 2006 and any Application lodged before this date will not be given any priority or preferential treatment by the Company.

The Closing Date for Applications is 24 November 2006 at 5.00 pm (WST).

The Company reserves the right to vary the dates and times of the Offer, including the Closing Date, without prior notice.

*28,571,429 Shares are offered
for subscription at an issue price of \$0.35
per Share together with one Option
for every four Shares issued.*





Applications will not be accepted prior to the expiry of the Exposure Period and the Offer may be closed at any time by the Company.

Applicants are encouraged to lodge their Application Forms as soon as possible after the Offer opens.

2.4 APPLICATION UNDER THE PUBLIC OFFER

To participate in the Public Offer you must either:

- (a) complete the Public Offer Application Form included in this Prospectus in accordance with the instructions set out on the back of that form; or
- (b) print and complete the Public Offer Application Form that can be found included in the online Prospectus on the internet at www.empirebeergroup.com.au in accordance with the instructions found on that website.

An original, completed and lodged Public Offer Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares and corresponding Options specified in the Public Offer Application Form. The Public Offer Application Form does not need to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares and corresponding Options.

If the Public Offer Application Form is not completed correctly, or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Public Offer Application Form is final. However, an Applicant will not be treated as having applied for more Shares and corresponding Options than is indicated by the amount of the cheque for the application monies.

An Application for Shares and corresponding Options under the Public Offer must be for a minimum of 5,715 Shares (being minimum application monies of \$2,000), and 1,429 corresponding Options and thereafter in multiples of 1,000 Shares (being \$350) and 250 corresponding Options.

The Public Offer Application Form must be completed in accordance with the instructions set out on the back of each Public Offer Application Form. Completed Public Offer Application Forms and accompanying cheques should at any time after the Opening Date be:

Posted to:

Empire Beer Group Limited
C/- Computershare Investor Services Pty Ltd
PO Box D182
Perth WA 6840

or Delivered to:

Empire Beer Group Limited
C/- Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Cheques must be made payable to "Empire Beer Group Limited" and crossed "Not Negotiable".

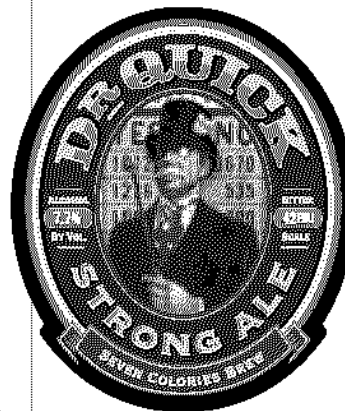
No brokerage or stamp duty is payable by Applicants in respect of Applications for Shares and Options under the Public Offer under this Prospectus.

2.5 ALLOCATION AND ALLOTMENT OF SHARES AND OPTIONS UNDER THE PUBLIC OFFER

The Company reserves the right to reject any Application under the Public Offer, or to allocate to any Applicant under the Public Offer fewer Shares and corresponding Options than the number applied for. The Company also reserves the right to reject or aggregate multiple Applications under the Public Offer in determining final allocations.

In the event an Application under the Public Offer is rejected or not accepted in full, the relevant portion of the application monies will be returned to the Applicants without interest.

Successful Applicants under the Public Offer will be forwarded notification of their allocation as soon as practicable after allocation has taken place.



-- DR. QUICK --
ENGLISH STRONG ALE
7.7% ALC/VOL
HEAVILY HOPPED FOR
BITTERNESS, IT FEATURES A DEEP
PALATE OF RICH MALT WITH
HINTS OF ORANGE IN A LONG,
COMPLEX FINISH.

The Company reserves the right not to proceed with the Public Offer or any part of it at any time before the allocation of the Shares and Options to Applicants. If the Public Offer or any part of it is cancelled, all application monies, or the relevant application monies will be refunded.

The Company also reserves the right to close the Public Offer or any part of it early, or extend the Public Offer or any part of it, or accept late Public Offer Applications Forms either generally or in particular cases.

The allotment of Shares and Options under the Public Offer to Applicants will occur as soon as practicable after the Public Offer Application Forms and application monies have been received for the minimum subscription of Shares and Options being offered under the Public Offer, following which statements of holding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares and Options. Applicants who sell Shares and Options before they receive their statements of holding will do so at their own risk.

2.6 APPLICATION MONEY UNDER PUBLIC OFFER HELD IN TRUST

All application monies received from Applicants under the Public Offer will be deposited into a separate bank account of the Company and held in trust for Applicants until the Shares and corresponding Options are issued or application monies returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

2.7 MINIMUM SUBSCRIPTION & OVERSUBSCRIPTIONS TO THE PUBLIC OFFER

The minimum subscription to be raised pursuant to the Public Offer is \$10 million.

No Shares or Options will be issued under this Prospectus in respect of the Public Offer unless and until the minimum subscription has been received. Should the minimum subscription under the Public Offer not be reached within 4 months after the date of the Original Prospectus, all application monies will be dealt with in accordance with the Corporations Act.

Under the Public Offer, the Company reserves the right to accept over-subscriptions of \$2 million, representing approximately a further 5.71 million Shares and 1.43 million Options, to be used to acquire the Leighton Beach site, North Fremantle.

2.8 WORKING CAPITAL ADEQUACY

The Company believes the minimum subscription to be raised under the Public Offer is sufficient to achieve its objectives as set out in this Prospectus.

2.9 DIVIDEND POLICY

The Company anticipates that significant expenditure will be incurred in the acquisition and expansion of Colonial and its Margaret River operations and the evaluation, acquisition and development of new venues. These activities are expected to dominate the two year period following the issue of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Once sustainable profitability has been established, it is the Directors' intentions to pay dividends when available cash flow and capital requirements allow.

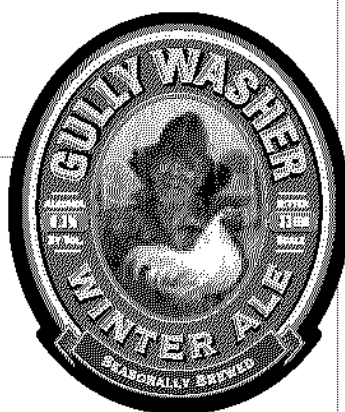
2.10 ASX LISTING

The Company has applied to ASX within 7 days after the date of the Original Prospectus for admission to the Official List and for Official Quotation of the Shares and Options.

If the Shares and Options are not admitted to Official Quotation within 3 months after the date of the Original Prospectus, none of the Shares or Options offered by this Prospectus will be allotted or issued. In that circumstance, all Applications will be dealt with in accordance with the Corporations Act.

The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company, the Shares or Options. ASX, its officers and employees, take no responsibility for the contents of this Prospectus.

-- GULLY WASHER --
ENGLISH PORTER WINTER ALE
6.3% ALC/VOL
DEEP RUBY BROWN, THIS
ROBUST STYLE IS A BIG
MOUTHFUL WITH HINTS OF
COFFEE AND RICH ROASTED
MALT TO THE BITTER END.



2.11 LEAD MANAGER

Max Capital Pty Ltd ("Max") will act as Lead Manager to the Public Offer. The terms of Max's appointment as Lead Manager and the fees payable to Max for these services are set out in section 7.6(g) of this Prospectus.

The Offer is not underwritten.

2.12 FEES AND COMMISSIONS

The Company will pay a fee of up to 5% in respect of applications lodged by any member organisation of ASX, licensed securities dealer or the holder of an Australian Financial Securities Licence and accepted by the Company provided that the relevant stamp of the organisation is on the Application Form.

No brokerage or commission is payable by Applicants in respect of Shares or Options issued under this Prospectus.

2.13 RESTRICTED SECURITIES

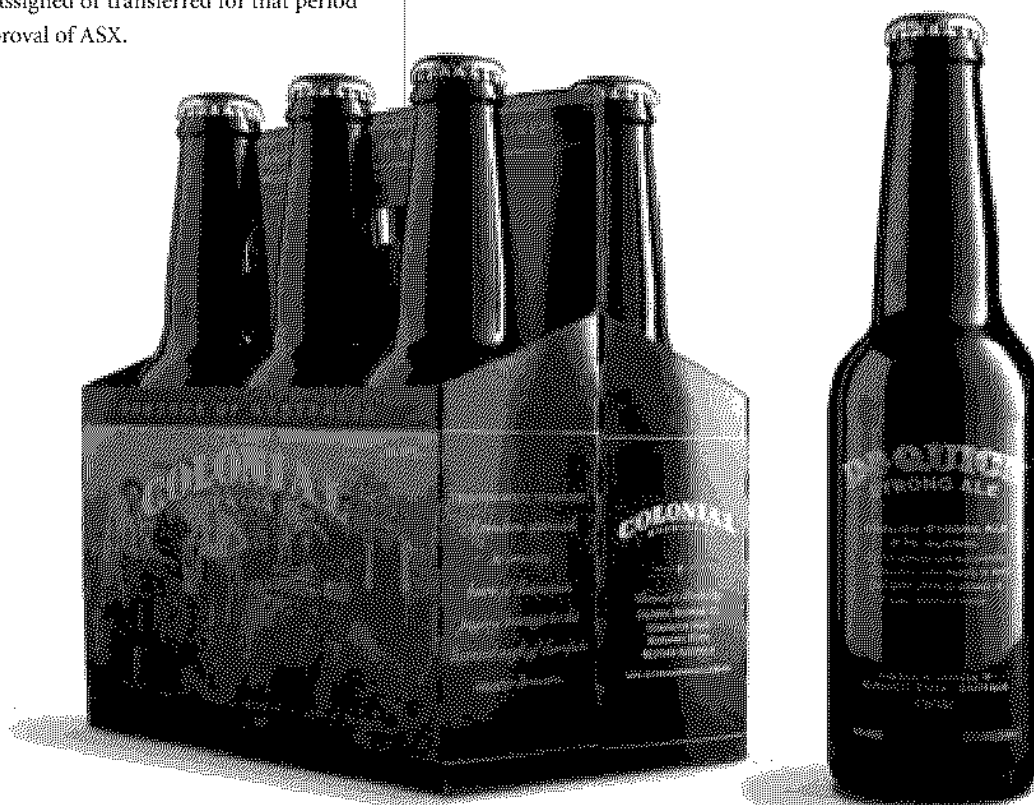
ASX may classify certain securities in the Company as being subject to the restricted securities provisions of the ASX Listing Rules (other than those Shares and Options being issued under the Public Offer). If so classified, such securities would be required to be held in escrow for a period determined by ASX and would not be able to be sold, mortgaged, pledged, assigned or transferred for that period without the prior approval of ASX.

2.14 INVESTMENT RISKS

Prospective investors in the Company and Colonial Shareholders should be aware that subscribing for Shares and Options under this Prospectus involves a number of risks and accordingly an investment in securities under this Prospectus should be considered speculative. The key risk factors of which investors (including Colonial Shareholders) should be aware are described in section 6 of this Prospectus. Investors and Colonial Shareholders are urged to consider these risks carefully before deciding whether to invest in the Company.

2.15 TAX CONSIDERATIONS

Investors under the Public Offer and Colonial Shareholders applying for securities under the Colonial Offer should seek and rely on their own professional taxation advice in relation to an investment in the Company.



2.16 USE OF FUNDS

It is intended that the funds raised by the Public Offer will be used as follows:

	\$10 MILLION
	\$
PRE-EXISTING CASH AT BANK	750,000
PUBLIC OFFER FUNDS	10,000,000
TOTAL	10,750,000
ACQUISITION OF COLONIAL	3,600,000
CAPITAL EXPENDITURE ON MARGARET RIVER OPERATIONS	500,000
ARCHITECT'S AND OTHER PROFESSIONAL FEES (NEW VENUES)	300,000
NEW VENUE ACQUISITION AND DEVELOPMENT	3,250,000
DEBT RETIREMENT	400,000
WORKING CAPITAL	1,810,000
COSTS OF THE OFFER	890,000
TOTAL	10,750,000

Note 1: Details of the proposed acquisition of Colonial are set out in sections 2.19 and 7.6(b) of this Prospectus.

There will be no funds raised from the Colonial Offer as the Shares and Options offered under the Colonial Offer are being offered to the Minority Colonial Shareholders as part consideration for the acquisition of the Colonial Shares. Please refer to sections 2.19 and 7.6(b) of this Prospectus for further details on the Colonial Offer.

The Company has reserved the right to accept oversubscriptions for a further \$2 million (before costs). In the event these funds are raised in full they will be applied towards the acquisition of the Leighton Beach site, North Fremantle and working capital. Details on the acquisition of North Fremantle are set out in section 7.6(h) below.

2.17 ELECTRONIC PROSPECTUS

A copy of this Prospectus may be downloaded from the Company's website at www.empirebeergroup.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any persons passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any persons may obtain a hard copy of this Prospectus free of

charge by contacting the Company by telephone on (08) 9322 6052 during normal business hours. Copies may be collected by the requesting party, sent by e-mail, facsimile or post as determined by the Company.

2.18 FORECASTS

Due to the nature and stage of the business development of the Company, the Directors believe that it is not possible to include reliable forecasts regarding the future performance of the Company.

2.19 COLONIAL OFFER

Under this Prospectus the Company is also making an offer of Shares and Options to the Minority Colonial Shareholders as consideration for the acquisition of their Colonial Shares. Further details of the acquisition of Colonial are set out in section 7.6(b) of this Prospectus.

Under the Colonial Offer, the Company is offering to the Minority Colonial Shareholders a total of 5 million Shares and 5 million Options in proportion to the number of Colonial Shares held by them respectively, equal to approximately 137 Shares and 137 Options for every 1,000 Colonial Shares held. Any fractional entitlements to Shares and Options will be rounded up to the nearest whole number.

Details of the rights attaching to the Shares and Options are set out in sections 7.1 and 7.2 respectively of this Prospectus.

Colonial Shareholders will receive a Prospectus and a personalised Colonial Offer Application Form for the issue of the number of Shares and Options specified in the Colonial Offer Application Form in return for their existing Colonial Shares.

The Colonial Offer Application Form must be completed in accordance with the instructions set out on the back of the Colonial Offer Application Form. Completed Colonial Offer Application Forms should at any time after the Opening Date be:

Posted to:

Empire Beer Group Limited
C/- Computershare Investor Services Pty Ltd
PO Box D182
Perth WA 6840

or Delivered to:

Empire Beer Group Limited
C/- Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

No brokerage or stamp duty is payable by Colonial Shareholders in respect of Applications for Shares and Options under the Colonial Offer under this Prospectus.

Colonial Shareholders who have any questions with respect to completing the Colonial Offer Application Form should contact Empire on (08) 9322 6052.

In considering whether to apply for the Shares and Options under the Colonial Offer, Colonial Shareholders should read the Prospectus in its entirety and should refer to section 2 of this Prospectus (other than sections 2.4 to 2.7 inclusive) which contains further details of the terms and conditions of the Colonial Offer.

2.20 DISTRIBUTION OF PROSPECTUS

The Prospectus has been prepared by the Company. In preparing the Prospectus, the Company has taken reasonable steps to ensure that the information in the Prospectus is not false or misleading. In doing so, the Company has had regard to the prospectus requirements of the Corporations Act.

Prospective investors, including Colonial Shareholders, should read the full text of the Prospectus as the information contained in individual sections is not intended to and does not provide a comprehensive review of the business and financial affairs of the Company nor the securities offered pursuant to the Prospectus.

No person is authorised to give any information in relation to or to make any representation in connection with the Offer described in the Prospectus that is not contained in the Prospectus. Any such information or representation may not be relied upon as having been authorised by the Company in connection with the Offer.

The Prospectus provides information to assist investors in deciding whether they wish to invest in the Company and should be read in its entirety. If you have any questions about its contents or investing in the Company you should contact your stockbroker, accountant or other financial adviser.

2.21 NON-RESIDENT INVESTORS

The Prospectus does not constitute an offer in any country or place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who

are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to subscribe for Shares and the corresponding number of Options.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Intending investors, including Colonial Shareholders, resident outside Australia should first consult their professional advisers as to whether or not governmental or other consents are required, or whether formalities need to be observed to enable them to invest. Intending non-resident investors should also seek advice in respect of the taxation effect of an investment in the Company and dividends that the Company may distribute in the future.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

No action has been taken to register or qualify the Shares, the Options or the Offer, or otherwise to permit a public offering of the Shares and Options in any jurisdiction outside Australia.



-- BACK BREAKER --
BELGIAN BLONDE ALE
SUMMER ALE
5.1% ALC/VOL
LIGHTLY HOPPED, THIS CLOUDY
WHEAT BEER USES CORIANDER
AND DRIED CURAÇAO ORANGE
PEEL TO LEND BITTERNESS.

2.22 PRIVACY DISCLOSURE

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988 (Cth)* (as amended). The Company (and its share registry on behalf of the Company) may collect, hold and use that person information in order to assess your Application, service your needs as a Shareholder and Optionholder and provide facilities and services that you request and to administer the Company.

Access to information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

If you do not provide the information requested of you in the Application Form, the Company's share registry may not be able to process your Application or administer your holding of Shares and Options appropriately. Under the *Privacy Act 1988 (Cth)* (as amended), you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by telephoning or writing to the Company to the attention of the Privacy Officer.

3. ABOUT EMPIRE

3.1 THE COMPANY

EMPIRE BEER GROUP

Empire's aim is achieving growth and profitability through the acquisition of quality assets within the growing "Craft Beer" sector.

The first acquisition is the highly successful Colonial Brewing Company Pty Ltd in Margaret River, Western Australia, currently Australia's Champion Small Brewery 2006 as awarded at the Australian International Beer Awards.

Empire's primary asset will be the Colonial premises and brand. Empire will seek to achieve its short-to-medium-term growth via the expansion of the Colonial business model into strategic locations throughout Australia. Ongoing development of Colonial venues will be in similarly high-traffic, tourist locations that will maximise turnover and foot flow traffic while maintaining a focus on high-quality ales and bright, family friendly venues.

The board and management team has identified a site in Fremantle, Western Australia to build a new wholly owned and operated Colonial business. The site at Leighton Beach, North Fremantle fulfils the criteria of a strategic location that will enable the development of a new Colonial venue. Upon completion of the Offer, the Company will commence the process of identification of another location for a new Colonial venue.

Future medium-to-long-term growth will be achieved by the acquisition of existing craft beer businesses that have a history of profitable performance and the opportunity to further expand their brand under Empire's business strategy.

The Craft Beer market is currently undergoing enormous growth worldwide. The growth has been driven by a new age of understanding, discovery and education.

As consumers' knowledge of beer increases, so to does their desire to purchase and try different flavours and styles of beer.

Empire intends to be at the forefront of this growth and create a stable of quality products and brands that will be seen as the leaders within this category.

THE OPPORTUNITY

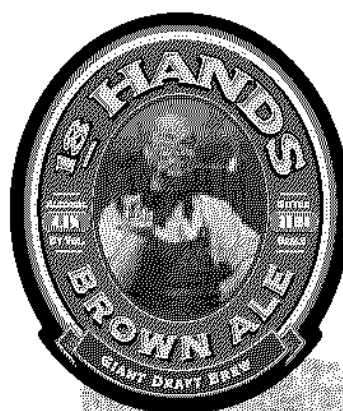
The Australian craft beer market is mirroring the growth that has been experienced in the United States, which in 2005 represented nearly five per cent of the total beer market. In Australia the craft beer market is showing the same trends as experienced in the United States.

Recently there has been a significant shift in the tastes and requirements of the Australian market, with an upward trend among consumers to upgrade their choice of beers and purchase craft beers instead of the traditional domestic premium brands.

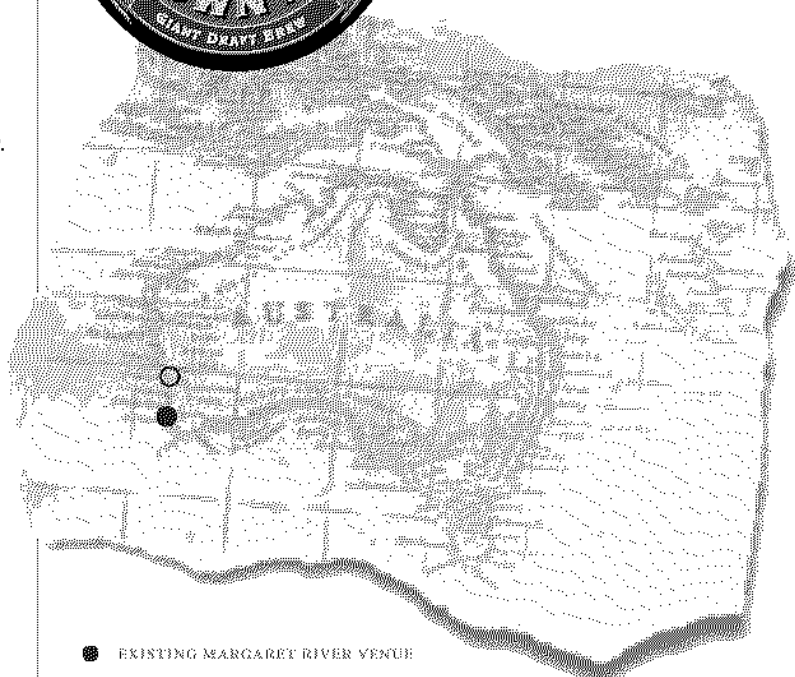
GROWTH STRATEGY

Empire plans to capitalise on this opportunity through a growth strategy focused on increasing sales by building new Colonial breweries in key locations throughout Australia that provide quality venues that cater for this emerging craft beer market. It is anticipated that each venue will brew its own beer on site for sale in that venue.

Upon completion of the Offer the Company will assess potential locations for the Company's next venue and, subject to achieving oversubscriptions of \$2 million, the

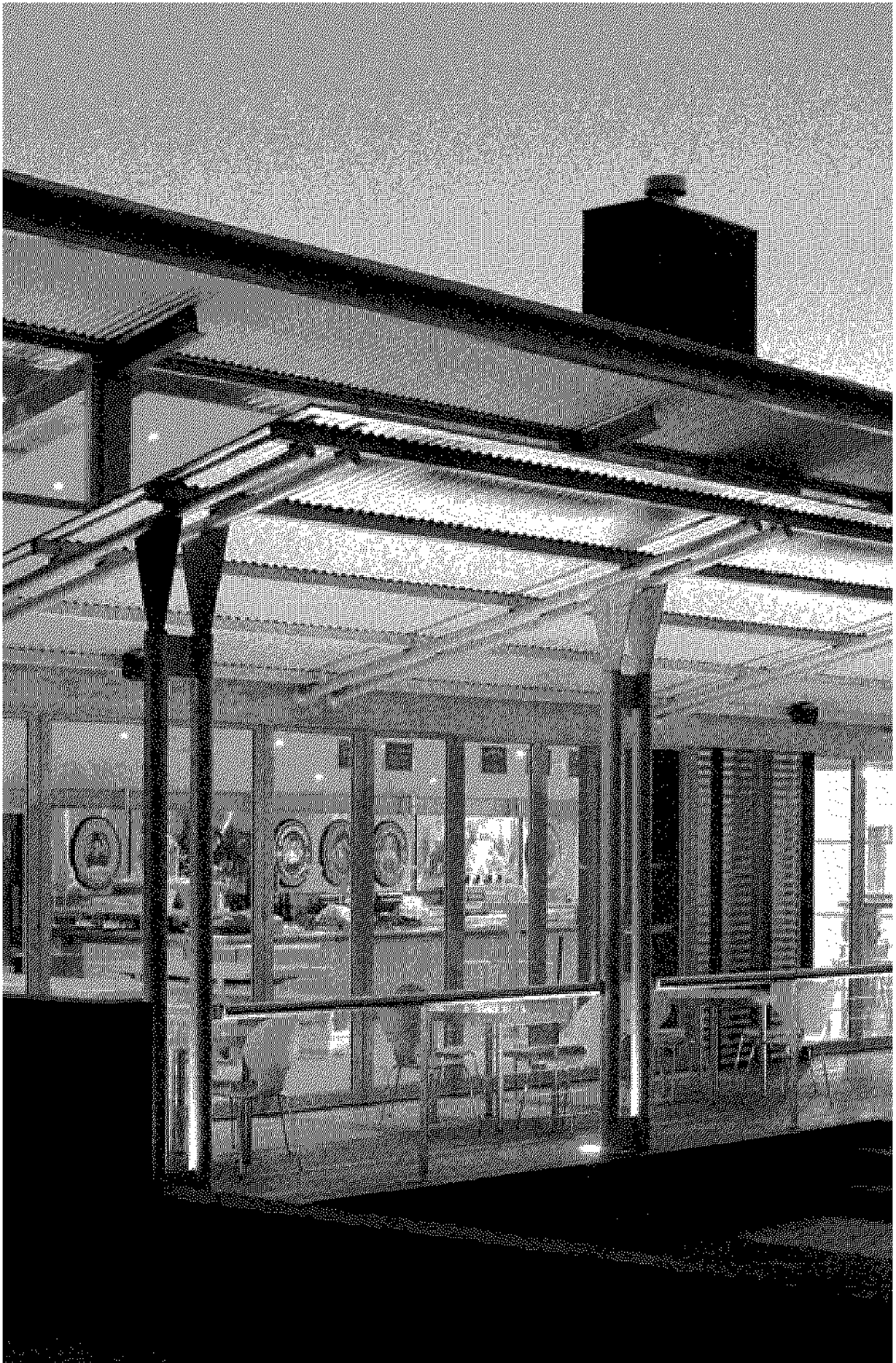


— 18 HANDS —
NORTH ENGLISH BROWN ALE
4.9 % ALC/VOL
A MOUTH-FILLING BROWN ALE IN
THE NORTHERN ENGLISH STYLE. IT
DISPLAYS A BALANCED, FULL MALT
PALATE BEFORE A LONG FINISH.



● EXISTING MARGARET RIVER VENUE

○ PROPOSED FREMANTLE VENUE



third venue will be at Leighton Beach, North Fremantle. Empire will consider appropriate locations interstate for further venues.

HIGH MARGIN END-TO-END BUSINESS MODEL

Empire has developed a vertically integrated business model that has the opportunity to maximise returns to investors in the growing premium and craft beer segments.

Empire's business model involves the sourcing and production of high-quality craft beers on site and selling directly to consumers through a planned network of family-friendly and strategically located venues in well-recognised tourism precincts and destination locations, such as Fremantle in Western Australia.

The unique strength of this business model is the ability of Empire to control both quality and costs and avoid the inevitable price pressures associated with traditional distribution channels.

To maximise the sales and margin opportunities that business presents, sales of its draught and packaged products will be via its own venues where they will be sold directly to consumers at full margin. This will significantly increase the average per person sale and will create a reason to revisit the venue to access the products.

In addition to this the bottled beers will be available for sale over the internet at www.colonialbrewingco.com.au. There will be a significant database developed from people visiting the different Colonial venues throughout Australia and these people will be contacted and given the opportunity to purchase Colonial beer over the website.

As the reputation of the Colonial Brewing Company grows, via the growth in venues and awards from beer shows, Colonial will develop a database of consumers who visit the different venues in Australia. These people will be communicated with directly via a regular email newsletter that will invite them to purchase Colonial beers that will be sent directly to their doorstep.

3.2 ABOUT COLONIAL BREWING COMPANY

Colonial has established itself as a leading craft beer brewer in Australasia after winning the "Trophy for Champion Small Brewery" at the Australian International Beer Awards in 2006 at a competition that attracted 974 entries from 130 breweries representing 31 countries.

This prestigious award, received in Melbourne in May 2006, cements Colonial's position as a market leader within the craft beer sector and creates consumer demand for

Colonial's products.

Colonial commenced operations in September 2004 in Margaret River and has since become a leading craft brewer based in Western Australia. Colonial has created a range of unique ale beers that are available exclusively at the Margaret River venue, as well as a contemporary, family-friendly environment.

Colonial prides itself on brewing world class, micro-brewed ale beers based on traditional brewing techniques using only the purest natural ingredients from its local environment.

By harnessing and incorporating only the most natural of ingredients, such as pure rainwater collected at the brewery and locally grown hops, Colonial has risen to the pinnacle of the micro-brewery segment in Australasia and along the way has built a reputation for excellence, creativity, tradition and quality.

Colonial is driven by the determination to create a range of premium ale-style beers, crafted through the traditional European brewing processes of centuries past that deliver magnificent beers with more flavour and more complexity. It is a winning formula that has seen Colonial recognised internationally for its flavour, purity, individuality and excellence.

Colonial crafts a range of eight brews that deliver quality and purity. On-site, these eight outstanding liquid creations are supported by a menu designed to suit visitors' tastes.

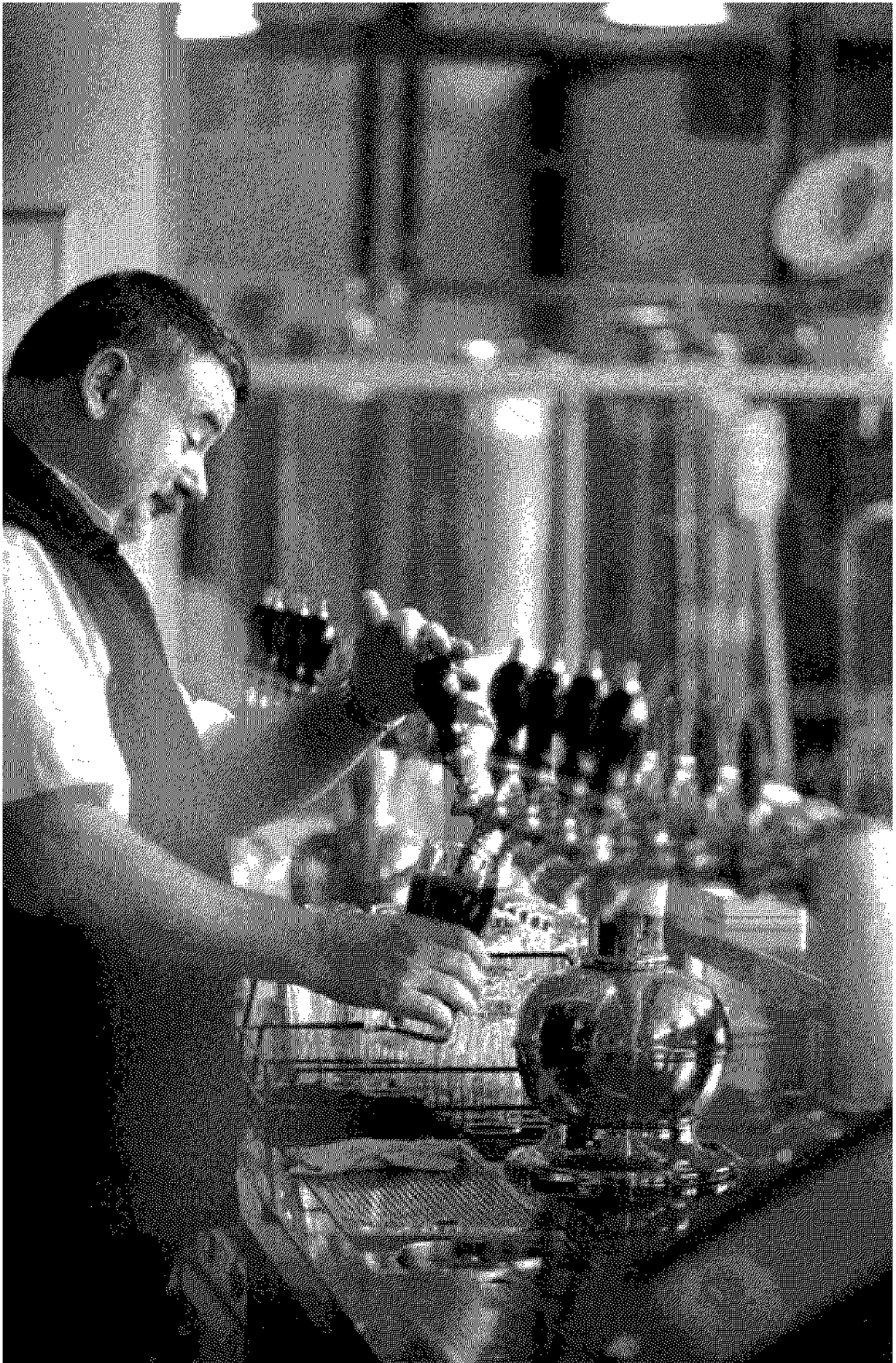
Colonial's overall success at the 2006 Australian International Beer Awards was driven by the outstanding performance of two of its flagship ales, each of which won two champions trophies for "Best in Class".

Colonial's Dr Quick Strong Ale was judged best ale in Australasia by winning the "Best in Class" trophy, and picked up the "Best in Class" trophy for best ale in the small brewery category.

Colonial's "Gully Washer Winter Ale" won two "Best in Class" trophies after being judged best draught Porter-style ale in Australasia and best bottled Porter-style ale in Australasia.

In total, Colonial Brewing Company won four "Best in Class" trophies, one gold medal, 11 silver medals and two bronze medals across a range of categories.

Critical to the success of Colonial was Dean McLeod, Colonial's Head Brewer. Dean has accepted the position of Head Brewer with Empire and will be responsible for the development of beers across all of the Colonial venues to be built by Empire.



The foundations for success are in place and there is a clear opportunity to grow and develop the Colonial brand and business model around Australia and internationally.

3.3 FREMANTLE VENUE

Empire has commenced the identification process for key locations throughout Australia suitable for the development of new Colonial venues.

FUTURE VENUES

Upon completion of the Offer, the Company intends to source a site for the location of the second Colonial venue. The Company considers that upon completion of the Offer and as an ASX listed company, it will be in a strong position to negotiate favourable commercial terms with the owner or lessor of any potential site. Any site selected by the Company will need to be appropriate for the location and operation of a Colonial style venue. It is the intention of the Company to have a second venue operating before the commencement of summer 2007/2008.

LEIGHTON BEACH

The Company has entered into an agreement for the site where the "Oyster Bar" restaurant is located at Leighton Beach, North Fremantle. Empire believes that the Leighton Beach site will become an iconic venue in Western Australia and will ensure the high profile development of the Colonial Brewing brand. The development by the Western Australian State Government of the Leighton Beach precinct will bring a focus onto the Leighton Beach area and create an influx of residents and tourists into the newly developed location.

Empire has entered into an agreement with the lessee and operator of the existing business at the venue. Details on the agreement are set out in section 7.6(h) below.

Empire will proceed with the acquisition of the Leighton Beach site in North Fremantle in the event that it obtains oversubscriptions of \$2 million pursuant to the Public Offer. To the extent oversubscriptions of \$2 million are not achieved, after listing the Company will look at other ways to finance the acquisition of the Leighton Beach site, though the Company will have no legal right or obligation to acquire the site in these circumstances.

Should the Company acquire the Leighton Beach site, the Company will then consider re-development proposals for the site which will require the raising of additional equity and/or debt. In the interim, it would be the intention of the Company to continue to operate the site.

E SHED

The Company had previously entered into an agreement to lease a venue at E Shed, Fremantle. The agreement to lease was conditional on a number of matters, including the consent of the landlord. On 23 October 2006, the Company was advised that the consent of the landlord was not forthcoming. No reasons were provided in this regard.

Although the Company considers that the E Shed venue would have been an appropriate location for the next Colonial venue, the Directors are of the view that other suitable locations exist in Fremantle and elsewhere and will commence a review of potential locations upon completion of the Offer.

3.4 MANAGEMENT TEAM

Empire's management group will be lead by managing director Phillip Gallagher who has extensive experience in beer and venue marketing including with the Matilda Bay Brewing Company craft beers.

Dean McLeod, the existing head brewer at Colonial Brewery and the person responsible for Colonial's success at the Australian International Beer Awards will be responsible for

DEAN MCLEOD
HEAD BREWER



the ongoing development of new beer brands and styles and maintaining the highest quality beer at all Colonial venues.

Between Phillip and Dean, the Company has experience in beer marketing, venue management, brewing and new venue building and development. Phillip and Dean are the key leaders of the business, focussed on identifying locations and the management of the Colonial venues, the craft beer culture and developing new craft beer styles.

3.5 THE BEER MARKET

THE AUSTRALIAN BEER MARKET

The Australian beer market is a significant sector of the beverage market with in excess of \$5.4 billion per annum of sales in the 12 months ending 31 July 2006. The beer market is expanding from its traditional base of mass-produced brands into a more specialised, selective, taste and quality-driven environment that offers a broader range of choice for consumers.

The Australian beer market is typically broken into different categories based on alcohol content and quality. The categories come under the names of Light, Mid-Strength, Full-Strength and Premium beer.

The Premium segment, which is broken into the Domestic Premium, Imported Premium and Craft Beer sub-categories, accounts for approximately 9% of volume and 15% of value of the beer market.

GROWTH IN PREMIUM AND CRAFT SECTORS

Recently there has been a significant shift in the tastes and requirements of the market. There has been a trend for consumers to upgrade their choice of beers and purchase both Craft and Imported Premium beers instead of traditionally popular Domestic Premium category.

For the 12 months to 31 July 2006, the Craft Beer segment has grown 15% in volume and 23% in value.

Craft Beer is defined as small, batch-brewed beer, which uses the finest ingredients possible to produce selected brews that have a more traditional flavour and complexity.

Encouragement for significant growth in the sector can be drawn from one of the biggest beer markets in the world.

The Craft Beer market in the USA underwent strong growth between 1988 and 2005 as the segment gained momentum and grew from 2 million litres to over 824 million litres in 2005.

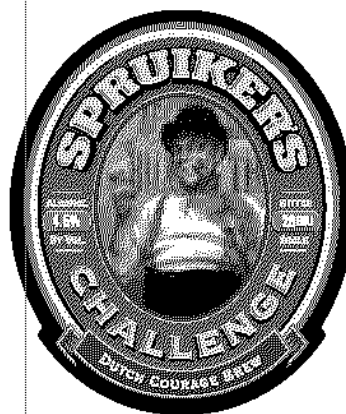
The current share of Craft Beer as a percentage of the total beer market in Australia is currently less than 1%.

Despite this low share, the Australian Craft Beer market has mirrored the growth in the US and in the view of Empire, is currently sitting at the beginning of this growth boom period.

The opportunity for Colonial Brewing Company falls within this growth sector where it can provide a unique experience for beer drinkers and restaurant-goers seeking a significantly different experience from the usual pubs and clubs.

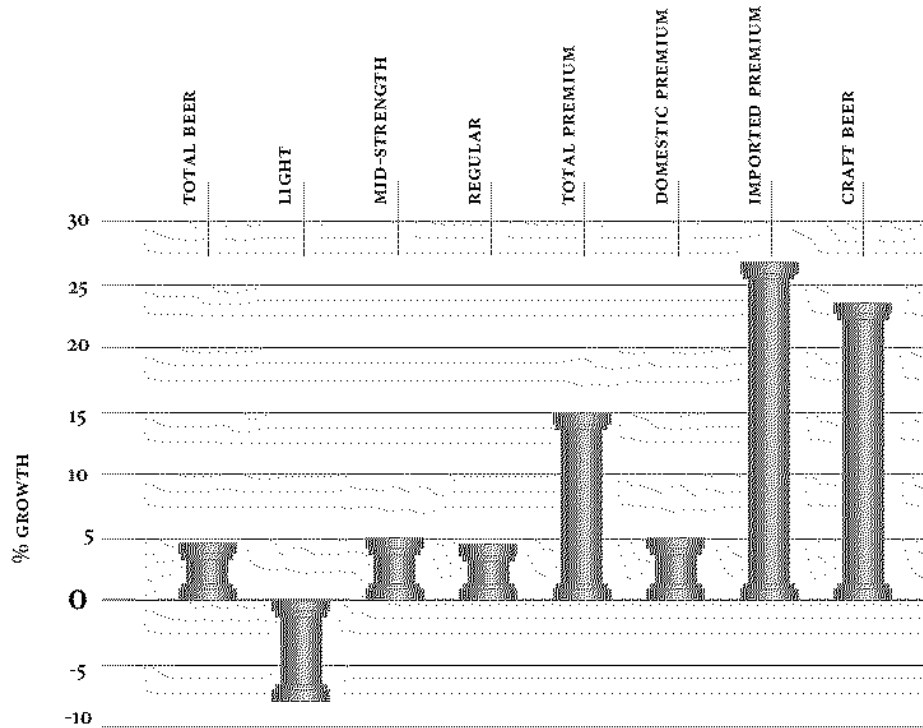
Colonial will continue to brew ale-style beers through traditional European techniques that produce differences in flavour, texture and style and encourage consumers to expand their palettes and understanding of beer.

To add even greater value to the experience, Colonial customers can witness the brewing process, see the natural ingredients and sample the purity of taste because all Colonial beers are brewed on-site.

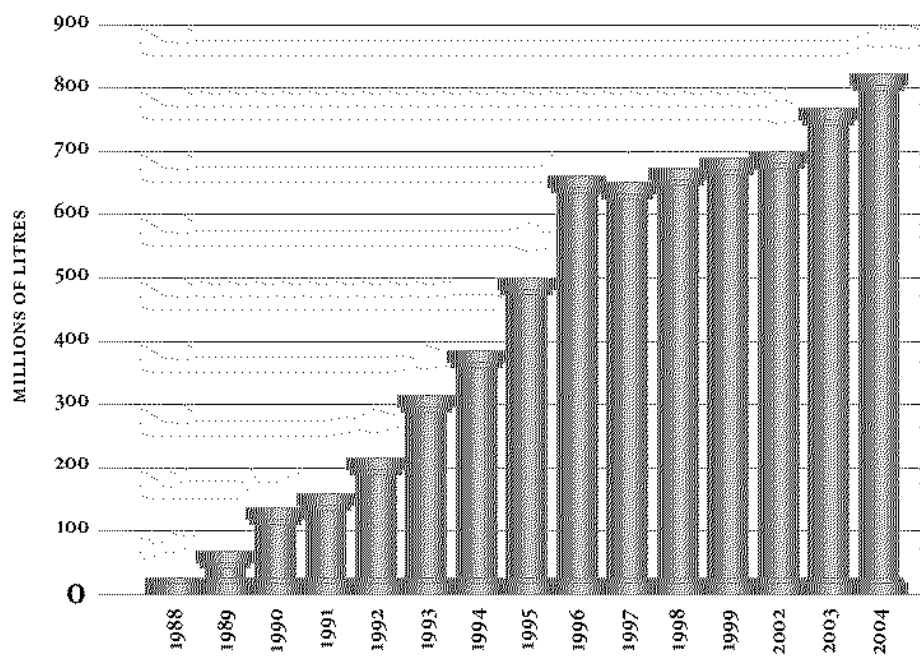


— SPRUIKER'S CHALLENGE —
GERMAN KÖLSCH ALE
4.5% ALC/VOL
DELICATE HOP FLOWER AROMAS
PRECEDE A PALATE SO LIGHT,
CRISP AND BALANCED THAT IT'S
OFTEN MISTAKEN FOR A PILSENER.

PERCENTAGE VALUE GROWTH IN AUSTRALIAN BEER MARKET SEGMENTS
FOR THE 12 MONTHS ENDING JULY 2006



DEVELOPMENT OF THE CRAFT BEER MARKET IN THE U.S.A.



4. BOARD OF DIRECTORS & CORPORATE GOVERNANCE

4.1 BOARD OF DIRECTORS

The Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing the goals for management and monitoring the achievement of those goals.

MEL ASHTON

NON-EXECUTIVE CHAIRMAN

QUALIFICATIONS: B. COM, FCA, FAICD

Mr Ashton holds a Bachelor of Commerce degree from the University of Western Australia, is a fellow of the Institute of Chartered Accountants and a fellow of the Australian Institute of Company Directors. Mr Ashton also currently holds a number of board appointments, including director and vice-president of the Fremantle Football Club and regional chairman at the Institute of Chartered Accountants (Western Australia Branch). He is currently the chairman for Gryphon Minerals Limited and Venture Minerals Limited.

PHILLIP GALLAGHER

MANAGING DIRECTOR

QUALIFICATIONS: B. BUS (MARKETING)

Phillip has more than 12 years experience in the beer industry in the areas of sales and marketing. Most recently Phillip has been responsible for driving the Matilda Bay Brewing Company's push to be one of the most successful small breweries in Western Australia. Phillip has joined Empire's team as Managing Director and will be responsible for the group's business direction.

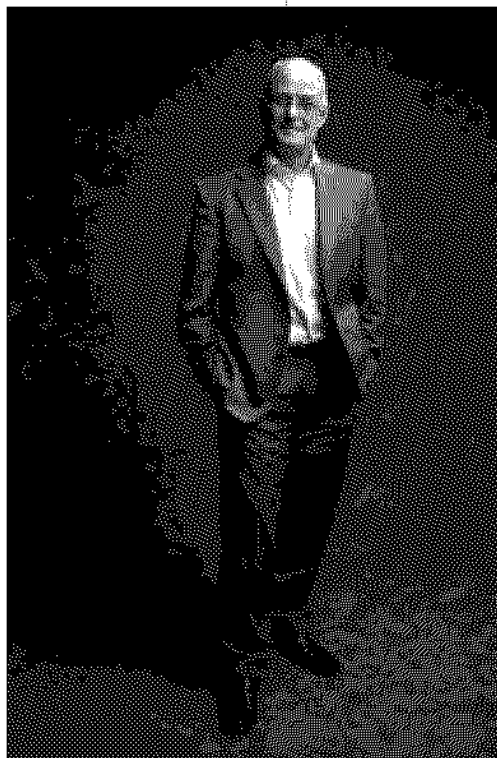
IAN MACLIVER

NON-EXECUTIVE DIRECTOR

QUALIFICATIONS: B. COM, CA, FFIN, MAICD

Ian commenced his career at Arthur Andersen where he specialised in fundraising, mergers and acquisitions and company valuations. Ian subsequently held positions over nine years in a general manager or executive director capacity with Century Holdings Ltd (listed investment company), Portman Mining Ltd (listed iron ore miner) and McLernon Group Ltd (corporate advisory/licensed securities

MEL ASHTON



PHILLIP GALLAGHER



dealer). His experience at these companies covered all areas of corporate activity including capital raisings, acquisitions, divestments, takeovers, business and strategic planning, debt and equity reconstructions, operating projects and financial reviews and valuations.

Ian established Grange Consulting Group in 1995 with a view to creating a specialist corporate advisory business providing a unique range of services to listed and unlisted companies. As a result of his corporate experience, Ian has established contacts with many venture capital and broking institutions. Ian is currently a director and/or chairman of a number of listed companies.

KATE LAMONT

NON-EXECUTIVE DIRECTOR

Kate Lamont is an operating partner in the Lamont family business which operates wine production and sales with restaurants in the Swan Valley, Margaret River and East Perth. Kate is also the chairperson of the Tourism Western Australia Board of Commissioners.

Kate has more than two decades of experience in the food and wine industry and has served on the Australian Tourist Commission (now Tourism Australia) Board. Kate chaired the Swan Valley Planning Committee for seven years and sits on both the Winemakers Federation of Australia's wine tourism alliance and research and development priority setting group, as well as the State Government's Skills Formation Taskforce, representing hospitality and tourism interests.

PHILIP LUCAS

NON-EXECUTIVE DIRECTOR

QUALIFICATIONS: B JURIS LLB

Philip is a corporate solicitor with over 15 years of experience. He was previously a partner with a national law firm before becoming a founding member of Pullinger Readhead Lucas, a boutique firm focussed on commercial and corporate law. Phil has advised on numerous initial public offerings by companies in a variety of sectors as well as advising listed companies with respect to corporate transactions.

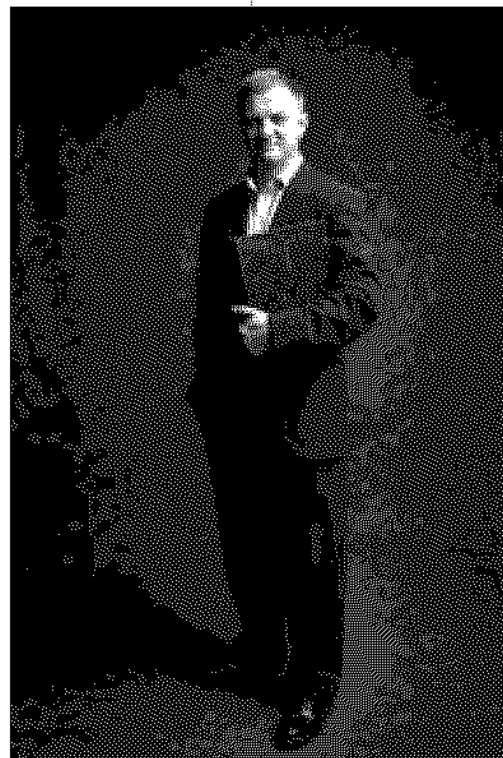
IAN MACLIVER



KATE LAMONT



PHILIP LUCAS



4.2 CORPORATE GOVERNANCE

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

Further information about the Company's corporate governance practices is set out on the Company's website at www.empirebeergroup.com.au. In accordance with the recommendations of ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

PRINCIPLE 2 RECOMMENDATION 2.4

There is no nomination committee.

The Board considers the matters and issues arising that would usually fall to a nomination committee. The Board is of the view that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

PRINCIPLE 8 RECOMMENDATION 8.1

During the Reporting Period there was no performance evaluation of the Board, its committees and individual Directors.

The current Board has only been in place since 4 August 2006 and no performance evaluation has been conducted as yet. It is proposed the Chairman will conduct a review at the end of the 2006/2007 financial year.

PRINCIPLE 9 RECOMMENDATION 9.2

There is no separate remuneration committee.

Due to the structure of the Board, a separate remuneration committee is not considered to add any efficiency to the

process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. When considering matters of remuneration, the Board functions in accordance with its Remuneration Committee Charter.

In addition, all matters of remuneration will continue to be determined in accordance with the requirements of the Corporations Act, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding his or her own remuneration or related issues.

5. INVESTIGATING ACCOUNTANT'S REPORT



BDO Consultants (WA) Pty Ltd

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Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
AFS Licence Number 246328
Email: bdo@bdowa.com.au
www.bdo.com.au

12 October 2006

The Directors
Empire Beer Group Limited
945 Wellington Street
WEST PERTH WA 6005

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

5.1 INTRODUCTION

We have prepared this Investigating Accountant's Report ("**Report**") on historical financial information of Empire Beer Group Limited ("**Empire**" or "**the Company**") for inclusion in a Prospectus, relating to the issue of 28,571,429 ordinary shares in the Company at a price of 35 cents each to raise up to \$10 million ("**the Public Offer**"). Ordinary shares in Empire are also being offered to shareholders of The Colonial Brewing Company Limited ("**Colonial**") under the Prospectus as part of the acquisition of Colonial by Empire. The Company will accept oversubscriptions for up to a further 5,714,285 ordinary shares to raise a further \$2 million.

5.2 BASIS OF PREPARATION

This Report has been prepared to provide investors with information on the pro-forma historical results (Income Statement as noted in Appendix 1), the Balance Sheet and Statement of Changes in Equity and the pro-forma Balance Sheet as noted in Appendices 2 and 3.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment and has been prepared based on the full subscription being achieved. BDO Consultants (WA) Pty Ltd ("**BDO**") has not been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, and does not purport to do so. BDO accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are set out in Section 6 of the Prospectus.

Expressions defined in the Prospectus have the same meaning in this Report.

5.3 BACKGROUND

The Company was incorporated on 29 May 2006 as a registered Australian Unlisted Public Company limited by shares with one issued share. As at 30 June 2006 the Company had 1 ordinary share on issue.

On 31 July 2006 2,270,000 ordinary shares were issued as seed capital at 25 cents each to raise \$567,500 and on 29 September 2006 a further 730,000 ordinary shares were issued as seed capital at 25 cents each to raise \$182,500.

Empire has not traded. On 1 June 2006 Empire entered into a Heads of Agreement with the shareholders of Colonial to acquire all of the issued ordinary shares in Colonial. This acquisition is conditional on Empire listing on the Australian Stock Exchange.

The consideration payable by Empire to the vendors of Colonial is:

- \$3.6 million in cash and 6.77 million ordinary shares in Empire, and 7.7 million free attaching listed options in Empire payable on acquisition.

5.4 SCOPE

You have requested BDO to prepare an Investigating Accountant's Report covering the following financial information:

- the Balance Sheet and Statement of Changes in Equity of Empire and Colonial (together "the Group") as at 30 June 2006;
- the pro forma Income Statement of Empire for the year ended 30 June 2006;
- the pro-forma Balance Sheet as at 30 June 2006 which assumes completion of the contemplated transactions disclosed in Section 6 of this Report ("the pro-forma transactions") referred to collectively as the historical financial information;

The historical financial information set out in the appendices to this Report has been extracted from the financial statements of Empire for the period ended 30 June 2006 which were audited by BDO Chartered Accountants & Advisers and the financial statements of Colonial for the year ended 30 June 2006 which were reviewed by BDO Chartered Accountants & Advisers.

The Directors are responsible for the preparation of the historical financial information including determination of the adjustments.

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a review of work papers, accounting records and other documents pertaining to balances in existence at 30 June 2006;
- a review of the assumptions used to compile the pro-forma Balance Sheet and the pro forma Income Statement;
- a review of the adjustments made to the pro-forma historical financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the appendices to this Report; and
- enquiry of Directors and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review was limited primarily to an examination of the historical financial information, the pro-forma financial information, analytical review procedures and discussions with both management and directors. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or pro-forma financial information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:-

- support by another person, corporation or an unrelated entity has not been assumed;
- the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- the going concern basis of accounting has been adopted.

5.5 CONCLUSION

STATEMENT ON HISTORICAL FINANCIAL INFORMATION

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical

financial information as set out in Appendix 2 of this report does not present fairly the financial position of the Company as at 30 June 2006, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

STATEMENT ON PRO-FORMA FINANCIAL INFORMATION

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the pro-forma financial information as set out in the Appendices of this report does not present fairly the consolidated financial performance of the Group for the year ended 30 June 2006 and the financial position of the Group as at 30 June 2006, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

No opinion is expressed on the historical results, as shown in the Income Statement in Appendix 1 and the historical net asset position, as shown in the Balance Sheet and Statement of Changes in Equity in Appendix 2 except to state that nothing has come to our attention which would require further modification to the financial information in order for it to present fairly the results and net assets of the period identified.

5.6 SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

The following subsequent events have occurred post 30 June 2006 and prior to the issue of the prospectus.

- 3 million ordinary shares were issued as seed capital at 25 cents to raise \$750,000.
- On 18 August 2006 Empire incorporated a wholly owned subsidiary Colonial Brewing Company (Fremantle) Pty Ltd subscribing for one share of one dollar.
- On 25 August 2006 Empire incorporated a wholly owned subsidiary Colonial Brewing Company (North Fremantle) Pty Ltd subscribing for one share of one dollar.
- On 1 July 2006 2,100,000 founding shares were issued to the founding shareholders of the company for consideration of \$210.
- The agreement to issue 270,000 ordinary shares in Empire with a net present value of \$85,050 to promoters, directors and management which will vest upon the achievement of Milestone 1. A further 630,000 ordinary shares will be issued or will vest to promoters, directors and management if Milestone 2 is achieved. However, at the date of this report it is not considered probable that Milestone 2 will be met within the required period. Full details of the milestones are shown in section 7 of the prospectus;
- The issue of 3,250,000 options to management exercisable at 50 cents on or before 1 December 2009.

5.7 ASSUMPTIONS ADOPTED IN COMPILING THE PRO-FORMA FINANCIAL INFORMATION

The pro-forma Balance Sheet after the Public Offer is shown in Appendix 2. This has been prepared based on the audited financial statements as at 30 June 2006 after taking into account the above subsequent events and the following transactions:

- The issue of 28,571,429 ordinary fully paid shares to raise \$10 million, pursuant to the Public Offer;
- The payment of expenses associated with the preparation and issue of the Prospectus and the listing of the Company amounting to \$890,000. These have been netted off against the share capital raised;
- The issue of 6,771,429 ordinary shares and 5,000,000 free attaching listed Options in Empire on acquisition as part of the agreement to acquire Colonial; and

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- The repayment of \$400,000 of an \$800,000 debt facility acquired as part of the acquisition of Colonial. Should the minimum capital raising be achieved this facility will be maintained at \$800,000.

5.8 DISCLOSURES

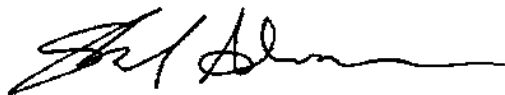
BDO Consultants (WA) Pty Ltd is the licensed corporate advisory arm of BDO in Perth, and is wholly owned by partners of that firm.

Neither BDO Consultants (WA) Pty Ltd nor BDO (Perth), nor any partner or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

YOURS FAITHFULLY

BDO CONSULTANTS (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', with a long horizontal flourish extending to the right.

SHERIF ANDRAWES

DIRECTOR

APPENDIX 1 - EMPIRE BEER GROUP LIMITED

PROFORMA INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006
	\$
REVENUES FROM ORDINARY ACTIVITIES	1,104,532
CHANGES IN INVENTORIES OF FINISHED GOODS:	34,724
RAW MATERIALS AND CONSUMABLES USED	(284,092)
BORROWING COSTS EXPENSE	(141,647)
DEPRECIATION AND AMORTISATION EXPENSES	(192,952)
EMPLOYEE BENEFITS EXPENSE	(407,341)
IMPAIRMENT OF INTANGIBLE ASSETS	(176,451)
OTHER EXPENSES FROM ORDINARY ACTIVITIES	(652,038)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	(715,265)
INCOME TAX EXPENSE	—
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY	(715,265)
OPENING RETAINED PROFITS	(604,758)
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY	(715,265)
CLOSING RETAINED PROFITS	(1,320,023)

Empire was incorporated on 29 May 2006 and did not trade during the year ended 30 June 2006. The pro forma income statement represents the consolidated income statement had Empire controlled Colonial from 1 July 2005.

The Income Statement is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3.

APPENDIX 2 - EMPIRE BEER GROUP LIMITED

BALANCE SHEET

	NOTE	30 JUNE 2006	SUBSEQUENT EVENTS	PRO-FORMA ADJUSTMENTS	COLONIAL ACQUISITION	PRO-FORMA AFTER THE OFFER
		\$	\$	\$	\$	\$
CURRENT ASSETS						
CASH AND CASH EQUIVALENTS	2	1	750,210	9,110,000	(4,050,400)	5,809,811
RECEIVABLES		—	—	—	15,363	15,363
INVENTORY		—	—	—	83,061	83,061
CURRENT TAX ASSETS		—	—	—	971	971
OTHER CURRENT ASSETS					2,342	2,342
TOTAL CURRENT ASSETS		1	750,210	9,110,000	(3,948,663)	5,911,548
NON-CURRENT ASSETS						
PROPERTY PLANT AND EQUIPMENT					2,310,318	2,310,318
GOODWILL ON ACQUISITION	3	—	—	—	3,951,097	3,951,097
IDENTIFIABLE INTANGIBLES	4	—	—	—	1,404,030	1,404,030
TOTAL NON-CURRENT ASSETS		—	—	—	7,665,445	7,665,445
TOTAL ASSETS		1	750,210	9,110,000	3,716,782	13,576,993
CURRENT LIABILITIES						
CREDITORS		—	—	—	47,569	47,569
DEFERRED CONSIDERATION	5	—	85,050	—	—	85,050
INTEREST BEARING LIABILITIES		—	—	—	400,000	400,000
TOTAL CURRENT LIABILITIES		—	85,050	—	447,569	532,619
TOTAL LIABILITIES		—	85,050	—	447,569	532,619
NET ASSETS		1	665,160	9,110,000	3,269,213	13,044,374
EQUITY						
ISSUED CAPITAL	6	1	750,210	9,110,000	2,370,000	12,230,211
SHARE BASED PAYMENT RESERVE	7	—	328,720	—	899,213	1,227,933
ACCUMULATED LOSSES	8	—	(413,770)	—	—	(413,770)
TOTAL EQUITY		1	665,160	9,110,000	3,269,213	13,044,374

The pro-forma Balance Sheet after the Offer is as per the Balance Sheet of Empire Beer Group Limited at 30 June 2006 adjusted for the transactions discussed in sections 6 and 7 of the Investigating Accountant's Report. The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial information set out in Appendix 3.

APPENDIX 2 - EMPIRE BEER GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

EMPIRE BEER GROUP LIMITED	30 JUNE 2006	SUBSEQUENT EVENTS	PRO-FORMA ADJUSTMENTS	COLONIAL ACQUISITION	PRO-FORMA AFTER THE OFFER
	\$	\$	\$	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE YEAR	—	—	—	—	—
LOSS FOR THE YEAR	—	(413,770)	—	—	(413,770)
TOTAL RECOGNISED FOR THE YEAR	—	(413,770)	—	—	(413,770)
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:					
CONTRIBUTIONS OF EQUITY, NET OF TRANSACTION COSTS	1	750,210	9,310,000	2,370,000	12,230,211
ISSUE OF OPTIONS	—	328,720	—	899,213	1,227,933
TOTAL EQUITY	1	665,160	9,310,000	3,269,213	13,044,374

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Empire Beer Group Limited is a company limited by shares, incorporated and domiciled in Australia. The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The report has been prepared in accordance with the measurement, but not all the presentation, requirements of the Corporations Act 2001 and Australian Accounting Standards and Urgent Issues Group Interpretations:

REPORTING BASIS AND CONVENTIONS

The financial report has been prepared on an accruals basis and is based on historic costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the company in the presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

B) PROPERTY PLANT & EQUIPMENT

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluations are credited to the revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a reducing balance basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
BUILDINGS	2.5%
PLANT AND EQUIPMENT	5% TO 37.5%
MOTOR VEHICLES	18% TO 22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c) LEASES

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives of the lease term. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

d) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in first-out basis.

e) INVESTMENTS

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually to ensure it is not in excess of recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations.

f) FINANCIAL ASSETS

Recognition

Financial assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

All investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless the fair value can not be readily measured. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

g) INTANGIBLES

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a

controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Identifiable Intangibles

Identifiable intangibles represent marketing related intangibles and are recognised at cost of acquisition. Marketing related intangibles have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. The intangibles included in the pro-forma balance sheet arise on the acquisition of Colonial.

H) EMPLOYEE BENEFITS

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs. Employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

I) PROVISIONS

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefit will result and that the outflow can be measured reliably.

J) CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

K) REVENUE

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

L) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

M) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

N) SHARE BASED PAYMENT

AASB 2 "Share Based Payments" requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. In

accordance with AASB 2, all share based payments have been measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case share based payments have been valued by reference to the fair value of the equity instruments granted.

O) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - Valuation of goodwill

No impairment loss has been recognised in respect of goodwill arising on the acquisition of Colonial as the Company believes that the goodwill is supported by forecasts indicating profitability in the next financial years. However should the projected turnover figures be less than 90% of budgeted figures incorporated in the forecast calculations, an impairment loss will be recognised up to the maximum proforma carrying value of goodwill at 30 June 2006.

NOTE 2. CASH	30 JUNE 2006	PRO-FORMA AFTER ISSUE
	\$	\$
CASH AT BANK	1	5,809,811
ADJUSTMENTS ARISING IN THE PREPARATION OF THE PRO-FORMA CASH BALANCE ARE SUMMARISED AS FOLLOWS:		
BALANCE AT 30 JUNE 2006		1
ISSUE OF SEED CAPITAL		750,210
PROCEEDS FROM SHARES ISSUED PURSUANT TO THE PUBLIC OFFER		10,000,000
SHARE ISSUE COSTS		(890,000)
ACQUISITION OF COLONIAL NET OF CASH ACQUIRED		(3,650,400)
REPAYMENT OF SECURED BANK LOAN		(400,000)
		<u>5,809,811</u>

NOTE 3. GOODWILL	30 JUNE 2006	PRO-FORMA AFTER ISSUE 30 JUNE 2006
		\$
GOODWILL	—	3,951,097
BALANCE AT 30 JUNE 2006		—
GOODWILL ON ACQUISITION OF COLONIAL		3,951,097
		<u>3,951,097</u>

NOTE 4. IDENTIFIED INTANGIBLES	30 JUNE 2006	PRO-FORMA AFTER ISSUE 30 JUNE 2006
	\$	\$
IDENTIFIED INTANGIBLES	—	1,404,030
BALANCE AT 30 JUNE 2006		—
RECOGNISED ON ACQUISITION OF COLONIAL		1,404,030
		<u>1,404,030</u>

These intangibles represent the net present value of future cash flows attributed to the marketing related intangible assets of Colonial.

NOTE 5. PROVISIONS

	30 JUNE 2006 \$	PRO-FORMA AFTER ISSUE 30 JUNE 2006 \$
PROVISIONS		
AMOUNT PAYABLE TO PROMOTERS, DIRECTORS AND MANAGEMENT ON ACHIEVEMENT OF MILESTONE ONE		85,050
		<u>85,050</u>

NOTE 6. CONTRIBUTED CAPITAL – ORDINARY SHARES

	NUMBER OF SHARES	\$ VALUE
AS AT 30 JUNE 2006	1	1
SHARES ISSUED POST 30 JUNE 2006	3,000,000	750,000
ISSUE OF SHARES TO FOUNDERS (NET OF SHARE ISSUE COSTS)	2,100,000	210
SHARES ISSUED PURSUANT TO PUBLIC OFFER	28,571,429	10,000,000
SHARES ISSUED FOR ACQUISITION OF COLONIAL	6,771,429	2,370,000
SHARE ISSUE COSTS	–	(890,000)
	<u>40,442,859</u>	<u>12,230,211</u>

NOTE 7. SHARE BASED PAYMENT RESERVE

	NUMBER OF OPTIONS	\$ VALUE
AS AT 30 JUNE 2006	–	–
SHARES ISSUED POST 30 JUNE 2006, FREE ATTACHING OPTIONS	1,000,000	–
ISSUE OF SHARES AND OPTIONS TO MANAGEMENT	3,250,000	328,720
SHARES ISSUED PURSUANT TO PUBLIC OFFER, FREE ATTACHING OPTIONS	7,142,857	–
OPTIONS ISSUED FOR ACQUISITION OF COLONIAL	7,700,000	899,213
	<u>17,292,857</u>	<u>1,227,933</u>

NOTE 8. ACCUMULATED LOSSES

	30 JUNE 2006	PRO-FORMA AFTER ISSUE 30 JUNE 2006 \$
ACCUMULATED LOSSES	–	413,770
BALANCE AT 30 JUNE 2006		–
ISSUE OF 300,000 ORDINARY SHARES TO MR P. GALLAGHER AND MR D. MCLEOD UPON THE ACHIEVEMENT OF MILESTONE 1		85,050
ISSUE OF OPTIONS TO MANAGEMENT		328,720
		<u>413,770</u>

The following share based payments were made during the period through the issue of equity:

- (b) 3.25 million options were issued on 1 October 2006 with an exercise price of 50 cents and a term of 3 years. Using the Black Scholes Model we have calculated the fair value of an option based on the following criteria:

INPUT	VALUE
WEIGHTED AVERAGE SHARE PRICE	\$0.35
EXERCISE PRICE	\$0.50
EXPECTED VOLATILITY	50%
OPTION LIFE	UP TO 3 YEARS
EXPECTED DIVIDENDS	NIL
RISK FREE INTEREST RATE	5.855%

Options have been issued for the following goods and services:

DESCRIPTION OF SERVICE	NUMBER OF OPTIONS ISSUED	TOTAL VALUE \$
MANAGEMENT AND DIRECTORS - CONSULTING	3,250,000	328,720

The full terms and conditions attaching to the options issued are disclosed in the prospectus.

NOTE 7: COMMITMENTS AND CONTINGENCIES

We are not aware of any commitments or contingencies that have not been disclosed in the prospectus.

NOTE 8: RELATED PARTY TRANSACTIONS

Transactions with related parties are as disclosed in the prospectus in section 7.

An investment in the Company involves a number of risk factors which are specific to Empire and the industry in which the Company operates.

Empire is also exposed to general market risks associated with any ASX listed investment.

Some of these risks can be mitigated by implementing safeguards and appropriate strategies and systems, but many are outside the control of Empire.

The risks may adversely impact upon Empire's performance, financial position and profitability.

Before making a decision to apply for Shares and Options under the Public Offer, investors should carefully consider the risks outlined below in conjunction with other information contained in this Prospectus.

Colonial Shareholders, before making a decision to apply for Shares and Options under the Colonial Offer, should carefully consider the risks outlined below together with other information contained in this Prospectus.

STOCK MARKET FLUCTUATIONS

The market price of Shares and Options will be subject to varied and often unpredictable influences on the Australian and international stock markets. Therefore the Shares offered under this Prospectus may trade above or below the Public Offer Price.

The influences include, but are not limited to, the demand for and availability of shares, shifts in domestic interest rates, exchange rates, and general domestic and economic activity.

GENERAL ECONOMIC CONDITIONS

Changes in interest rates, exchange rates, taxation, inflation, consumer spending, employment rates and government policies in Australia and overseas may adversely affect the business or operating results of the Company.

REGULATORY RISK

Any change to company, individual and trust taxation rates will impact on shareholder returns. Changes to taxation law and accounting practices may also affect the Company.

Changes to the legal and administrative regimes, including the various liquor licensing regimes which operate throughout Australia, may adversely affect the financial performance of the Company.

Before the Company will exercise its right to acquire the North Fremantle site or acquire new venues it will be

necessary for the Company to obtain all necessary regulatory approvals including from the Director of Liquor Licensing and appropriate State Governmental and Local Government bodies and authorities. There can be no certainty that the Company will obtain all of these approvals or if it does so, within specified timeframes or on conditions commercially acceptable to the Company.

RELIANCE ON KEY PERSONNEL

The success of the Company will depend on the performance of its management team and the loss of key management could have adverse consequences for the Company.

There can be no guarantee that key personnel will be retained, however, the Company has entered into appropriate employment arrangements with key personnel in an attempt to mitigate this risk.

DEMAND AND COMPETITION

The Company operates in the highly competitive markets of hospitality and brewing.

The continued success of the Company will be influenced by consumer preferences. Any significant reduction in consumer demand would be likely to have an adverse affect on the profitability of the Company.

The actions of competitors and the entry of new competitors into the hospitality and brewing markets may have a negative impact on consumer demand and adversely affect the ultimate profitability of the Company.

DILUTION, ACQUISITIONS AND NEW VENTURES

The Company may over time seek to increase its capital base subject to opportunities sufficient in number and quality to warrant further issues.

This capital base may be used towards acquisitions and new ventures. The Company may also issue Shares as consideration payable in respect of acquisitions and new ventures.

Any further issue of Shares would create potential dilution for Shareholders.

As part of a growth strategy, the Company may pursue acquisition and new venture opportunities. However, there is no guarantee that the Company will be able to successfully identify and implement such opportunities.

INTELLECTUAL PROPERTY AND THE COMPANY BRAND

Intellectual property laws and confidentiality agreements operate to protect the Company's intellectual property. However, there can be no assurances that the laws and agreements will not be infringed.

Colonial's brand and its image are important assets. The Company may suffer adverse consequences if, for some reason, the Colonial brand or its image are damaged.

FUNDING TO MEET COMPANY OBJECTIVES

It is expected that the funds raised from the Offer will provide enough capital to allow the Company to meet its short-term objectives, including the extensions to the Margaret River venue and completion of the new venues.

In the event oversubscriptions of \$2 million are raised under the Public Offer, the Company will proceed with the acquisition of the North Fremantle site. If this level of oversubscriptions is not achieved, the Company may look at other ways to finance the acquisition of the North Fremantle site which may include the issuing of further equity in Empire or incurring debt or a combination of equity and debt.

Subject to the Company obtaining all necessary regulatory consents and approvals, the Company will require additional capital to fund the re-development of the North Fremantle venue. This may be raised through the issuing of further equity in Empire or incurring debt or a combination of equity and debt.

If the Company is required to borrow or raise further capital, there can be no guarantee that the Company will be able to do so on favourable terms.

VENUE DEVELOPMENT

The Company cannot give assurances regarding the timing of identification of new venues or that the terms will be agreed and all conditions satisfied in connection with the acquisition or leasing of any new venue within specific time frames. Nor can the Company give assurance that if completion occurs under any agreement for a new venue or the Leighton Beach site, that the developments will occur or that they will occur within the planned timeframe or budget. The Company is in the process of completing agreements and satisfying conditions associated with the Leighton Beach venue (refer to section 7.6(h) below for details in this regard) and will commence new venue identification and negotiation upon completion of the Offer.

The Company will mitigate construction and development risk by engaging reputable contractors and negotiating fixed-price contracts where it can.

Planning, licensing requirements and environmental regulations may also impact adversely upon the timeframe and budget of construction.

LIQUIDITY FOR SHARES AND OPTIONS

Should a substantial holder of Shares or Options decide to sell its holding of Shares or Options (or some of them) (as the case may be) in a relatively short period of time, the resultant increase in supply may have a negative effect on the market price for the Shares or Options (as the case may be).

ENVIRONMENTAL RISKS

The Company's operations are subject to State and Federal laws and regulations regarding environmental matters.

The Company intends to conduct its activities in an environmentally responsible manner, in accordance with all applicable laws and at a level which represents world's best practice in environmental management.

COMPLETION OF ACQUISITION OF COLONIAL

Although Colonial Shareholders representing 66.7% of the Colonial Shares have agreed to sell their Colonial Shares to Empire, in the event the Minority Colonial Shareholders do not accept the Colonial Offer, then Empire will have a controlling interest in Colonial and will need to deal with Colonial in a manner that is consistent with the interests of the remaining Minority Colonial Shareholders.

7.1 RIGHTS ATTACHING TO SHARES

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to the Shares. Full details are contained in the Constitution, available for inspection free of charge at the Company's registered office.

(A) SHARE CAPITAL

The Shares to be issued pursuant to this Prospectus are fully paid ordinary shares in the capital of the Company. All issued Shares rank equally in all respects.

(B) VOTING RIGHTS

At a general meeting of the Company, every Shareholder present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every Share held, and for every partly paid ordinary share held, a fraction of a vote equal to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited) of the partly paid ordinary share. Where there is an equality of votes, the chairperson does not have a casting vote.

(C) DIVIDEND RIGHTS

Subject to the rights of holders of shares issued with any special or preferential rights as to dividends (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders in proportion to the Shares held by them respectively, according to the amount paid (not credited) on the Shares as a proportion of the total amount paid and payable (excluding amounts credited) on the Shares.

(D) RIGHTS ON WINDING-UP

If the Company is wound up whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution, divide amongst the shareholders in specie or kind, the whole or any part of the assets of the Company and may for that purpose, set such value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.

(E) TRANSFER OF SHARES

Shares may be transferred by such means in accordance with the Constitution, the ASX Listing Rules, the ASTC Rules and the ACH Clearing Rules. The Directors may refuse to register a transfer of shares only in those circumstances permitted by the Constitution, ASX Listing Rules, the ASTC Rules and the ACH Clearing Rules.

(F) CALLS ON SHARES

Where shares are issued as partly paid, the Directors may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and the ASX Listing Rules, the shares in respect of the call may be forfeited and interest and expenses may be payable in accordance with the Constitution, the Corporations Act and the ASX Listing Rules or proceedings taken to recover the amount unpaid.

(G) FURTHER INCREASES IN CAPITAL

The allotment and issue of any shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act, the Directors may allot, issue or grant options over or otherwise dispose of those shares to such persons, on such terms as the Directors may from time to time determine.

(H) VARIATION OF RIGHTS ATTACHING TO SHARES

Where shares of different classes are on issue, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

(I) GENERAL MEETING

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.2 RIGHTS ATTACHING TO OPTIONS

The terms and conditions of issue of the Options are set out below.

(A) EXERCISE DATE

The Options are exercisable wholly or in part at any time before 5.00 pm WST on 30 November 2008. Options not exercised by that date shall lapse.

(B) EXERCISE PRICE

Each Option shall entitle the optionholder to acquire one Share upon payment of the sum of \$0.35 per Option to the Company.

(C) NOTICE OF EXERCISE

Each Option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of a Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(D) QUOTATION OF OPTIONS AND SHARES ON EXERCISE

Application will be made to ASX for Official Quotation of the Options and the Shares issued on exercise of Options. Subject to any escrow restrictions imposed by ASX upon the optionholder in respect of the Options, the Options are transferable as the optionholder thinks fit.

(E) PARTICIPATION RIGHTS OR ENTITLEMENTS

There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of securities offered to the Company's shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced so as to give optionholders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.

(F) SHARES ALLOTTED ON EXERCISE

Shares allotted pursuant to the exercise of Options will be allotted following receipt of all the relevant documents and payments and will rank equally with all other Shares.

(G) REORGANISATION OF SHARE CAPITAL

In the event of a reorganisation of the issued capital of the Company, the rights of the optionholder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a re-organisation of capital at the time of the re-organisation.

(H) BONUS ISSUES

If, from time to time, before the expiry of the Options the Company makes a pro rata issue of Shares to Shareholders for no consideration, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the optionholder would have received if the Option had been exercised before the date for calculating entitlements to the pro rata issue.

7.3 RIGHTS ATTACHING TO 2009 OPTIONS

The 2009 Options are on the same terms and conditions as the Options as set out in section 7.2 above, except as follows:

- (a) the 2009 Options are exercisable wholly or in part at any time before 5.00 pm WST on 30 November 2009;
- (b) each 2009 Option shall entitle the holder to acquire one Share upon payment of the sum of \$0.50 per 2009 Option to the Company; and
- (c) application will not be made to ASX for Official Quotation of the 2009 Options (though application will be made for Shares issued on exercise of 2009 Options).

7.4 EMPLOYEE SHARE OPTION PLAN

Under the terms of the Company's employee share option plan ("Plan"), the Board may offer options to persons ("Eligible Persons") who are:

- (a) full-time or part-time employees (including a person engaged by the Company under a consultancy agreement); or
- (b) Directors,

of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options.

Number of options

The maximum number of options issued under the Plan at any one time is 5% of the total number of Shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the ASX Listing Rules.

Terms of options

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company.

There is no issue price for the options. The exercise price for the options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five Business Days prior to the date of issue or such other period as determined by the Board (in its discretion).

Shares issued on exercise of options will rank equally with other ordinary shares of the Company.

Options may not be transferred other than to an associate of the holder. Quotation of options on ASX will not be sought. However, the Company will apply to ASX for Official Quotation of Shares issued on the exercise of options.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period (if any). An option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

FUTURE ISSUES OF SHARES

New Issues

There are no participating rights or entitlements inherent in the options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders

during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 Business Days after the issue is announced. Optionholders shall be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

Bonus Issues

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each optionholder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him or her upon exercise of any of those options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the optionholder may subscribe pursuant to the exercise of those options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank *pari passu* in all respects with the other Shares issued upon exercise of the options.

Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each optionholder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.

Taxation

Under current taxation laws any taxation liability in relation to the options, or the Shares issued on exercise of the options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to options or Shares issued under the Plan.

Participation by Directors

Although Directors are eligible to be offered options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

7.5 EMPLOYEE SHARE PLAN

Under the terms of the Company's employee share plan ("Share Plan"), the Board may offer Shares to persons ("Eligible Persons") who are permanent full-time or part-time employees of the Company or an associated body corporate based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant and upon such terms as the Board may determine.

Upon receipt of such an offer, the Eligible Person may nominate a nominee acceptable to the Board to be issued with the Shares.

NUMBER OF SHARES

The maximum number of Shares issued under the Share Plan at any one time is 5% of the total number of Shares on issue in the Company.

TERMS OF SHARES

The Shares issued under the Share Plan will be fully paid ordinary shares in the capital of the Company.

The issue price for the Shares will be:

- (a) for Shares issued contemporaneously with or before the issue of the Prospectus, no consideration; and
- (b) otherwise, no more than 90% of the market price of Shares calculated by reference to the weighted average sale price of the Shares on ASX during the 5 trading days immediately preceding the date of the relevant offer of Shares under the Share Plan.

Shares issued under the Share Plan on exercise of options will rank equally with other ordinary shares of the Company.

Shares may not be transferred until the later of the following:

- (a) in the case of Shares issued under the Share Plan for no consideration, until such time or times (if any) as determined by the Board in its absolute discretion at the time of issue;
- (b) the expiry of any service continuity period specified by the Company at the time of issue; and
- (c) the satisfaction of any performance criteria specified by the Company at the time of issue.

The Company will apply to ASX for Official Quotation of

Shares issued pursuant to the Share Plan.

BONUS AND RIGHTS ISSUES

Each Share issued under the Share Plan will rank equally with other issued Shares and will entitle Shareholders to participate in any bonus issues and rights issues made by the Company on the same basis as other issued Shares.

TAXATION

Under current taxation laws any taxation liability in relation to the Shares issued on will fall on the participants. The Company will not be liable to fringe benefits tax in relation to Shares issued under the Share Plan.

PARTICIPATION BY DIRECTORS

Although Directors are eligible to be offered Shares under the Share Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

7.6 MATERIAL CONTRACTS

The Directors are of the view that certain contracts entered into by the Company can be considered "material" when an investor is considering an investment decision under this Prospectus. Summaries of these contracts are set out below. Potential investors should note however that only the principal or main provisions of the contracts so identified by the Directors are set out below and other provisions of the contracts do exist which may be relevant in certain circumstances. Under the Corporations Act, the Company is not required to make copies of the material contracts available for inspection by intending investors.

(A) OFFICERS' DEEDS OF INDEMNITY

The Company has entered into deeds with each of the Directors, Dean McLeod (the Head Brewer) and Kim Massey (the Company Secretary) ("Officers") under which the Company indemnifies the relevant Officer, to the maximum extent permitted by law, any liability incurred by the Officer as an officer of the Company and any liability for reasonable costs and expenses incurred by the Officer, in defending any claim or proceeding (unless arising out of conduct involving a lack of good faith) or any proceeding in which judgment is given in favour of the Officer or the Officer is acquitted, in respect of a liability incurred by the Officer as an officer of the Company or the Officer's conduct as an officer of the Company.

Also pursuant to the deeds, the Company must insure the Officers against liability as officers of the Company and provide access to board papers relevant to any claim brought against the Officers in their capacity as officers of the Company.

Subject to the Company listing on ASX, the Company will insure the Officers as required under the deeds and will pay insurance premiums in respect of this insurance.

(b) **COLONIAL SHARE SALE AGREEMENTS**

Golden Hind Share Sale Agreement

Pursuant to a share sale agreement dated 12 October 2006 between the Company, Colonial and Golden Hind Holdings Pty Ltd ("Golden Hind"), the Company has agreed to purchase all the Colonial Shares held by Golden Hind ("Sale Shares"), free of encumbrances, in consideration of which Golden Hind will receive \$3.6 million and 1,771,429 Shares and 2,700,000 Options. A deposit of \$200,000 has been paid to Golden Hind ("Golden Hind Share Sale Agreement").

The agreement is conditional upon certain conditions being satisfied (or waived by the party entitled to the benefit of the condition) by 15 December 2006, or such later date as agreed ("Satisfaction Date") including:

- (i) the Company successfully conducting the Public Offer and achieving minimum subscription of \$10 million;
- (ii) the Company being admitted to the Official List and ASX agreeing to grant Official Quotation of the Shares, and if conditionally, provided the conditions imposed are acceptable to the Company and Golden Hind;
- (iii) the Company and Minority Colonial Shareholders entering into a share sale agreement with respect to the remaining Colonial Shares representing at least 80% of the Colonial Shares (including those of Golden Hind);
- (iv) the Company obtaining all regulatory approvals necessary for the transactions contemplated by the agreement;
- (v) any encumbrances held by National

Australia Bank Limited over the Sale Shares or the assets of Colonial being unconditionally discharged on terms acceptable to the Company and National Australia Bank Limited executing discharges of its charges registered over Colonial and the Sale Shares; and

- (vi) at the date of completion, Colonial having cash at bank of nil, building, plant and equipment of at least \$2.4 million, current liabilities of not more than \$50,000 and long term liabilities of not more than \$800,000. This condition will be deemed to be satisfied provided that as at completion, the aggregate value of cash at bank, building, plant and equipment and current liabilities is greater than \$2.135 million and long term liabilities are not more than \$800,000.

Standard restrictions regarding the conduct of Colonial's business are imposed on Colonial and Golden Hind from the date of the agreement until the earlier of completion or termination. The agreement also imposes standard exclusivity obligations upon the parties from the date of the agreement until the earlier of completion or termination.

At completion, the Company is entitled to appoint its nominees to the positions of director and company secretary to Colonial and Golden Hind's nominees must resign from these positions.

Golden Hind has provided a number of standard warranties with respect to the Sale Shares to the Company. In addition, Golden Hind and Colonial, severally, have provided standard warranties to the Company with respect to Colonial and its business. All of the warranties are qualified by matters within the Company's knowledge as at the date of the agreement.

Pursuant to the agreement, both Golden Hind and Colonial provide an indemnity to the Company against any claim, loss or expense which the Company incurs in respect of any matter regarding Colonial, its business or the Sale Shares (in the case of Golden Hind) being other than as represented or warranted in the agreement and any breach by Golden Hind or Colonial (as applicable) of the agreement.

Golden Hind has agreed not to enter into business in competition with Empire or Colonial for a period of 2 years and is entitled to receive a payment of \$12,500 per month provided Golden Hind continues to discharge its non-competition obligations.

Minority Colonial Share Sale Agreement

The Company will offer to enter into share sale agreements with each of the Minority Colonial Shareholders under which the Company has agreed to purchase the Colonial Shares held by the Minority Colonial Shareholders.

Under the agreement the Company will pay to the Minority Colonial Shareholders a total of 5 million Shares and 5 million Options with each Minority Colonial Shareholder being entitled to approximately 137 Shares and 137 Options for every 1,000 Colonial Shares held.

The agreement will be conditional upon the following conditions being satisfied (or waived by the party entitled to the benefit of the condition) by 15 December 2006, or such later date as agreed ("Satisfaction Date"):

- (i) the Company successfully conducting the Public Offer; and
- (ii) the conditions precedent to the Golden Hind Share Sale Agreement being satisfied or waived (as the case may be).

The agreement imposes standard exclusivity obligations upon the parties from the date of the agreement until the earlier of completion or termination.

Pursuant to the agreement, each Minority Colonial Shareholder, severally, will provide a number of standard warranties with respect to its Colonial Shares to the Company. Each Minority Colonial Shareholder will indemnify the Company against any claim, loss or expense which the Company incurs in respect of any matter regarding Colonial, its business or its Colonial Shares being other than as represented or warranted in the agreement and any breach by that Minority Colonial Shareholder of the agreement.

The agreement will be legally binding as between the Company and each Minority Colonial Shareholder upon execution by that Minority Colonial

Shareholder of the agreement, notwithstanding the failure of other Minority Colonial Shareholders to execute an agreement.

(c) EXECUTIVE SERVICES AGREEMENT – PHILLIP GALLAGHER

The Company has entered into an executive service agreement with Phillip Gallagher pursuant to which Phillip is engaged as the Managing Director of the Company with effect from 4 August 2006 until the third anniversary of the Company's listing on ASX, unless terminated earlier in accordance with the terms of the agreement.

Under the agreement, the Company must pay to Phillip a fixed remuneration package of \$175,000 per annum (inclusive of a base salary, motor vehicle allowance and superannuation), which will increase by CPI every 12 months. In addition, the base salary payable to Phillip will be reviewed by the Board every 12 months.

Pursuant to the agreement, Phillip may be entitled to receive Shares and/or Options as determined by the Board in its absolute discretion from time to time. The Company has issued to Phillip 1,000,000 2009 Options and has agreed to issue to Phillip 150,000 Shares under the Company's Employee Share Plan (refer to section 7.8 for details of the vesting conditions of these Shares).

Either the Company or Phillip may terminate the agreement by giving 2 months notice, if completion of the acquisition of Colonial does not occur on or before 31 December 2006 or otherwise, 6 months notice. In addition, the Company may terminate the agreement immediately in the usual circumstances.

(d) EXECUTIVE SERVICES AGREEMENT – DEAN MCLEOD

The Company has entered into an executive service agreement with Dean McLeod pursuant to which Dean is engaged as Head Brewer with effect from the listing of the Company's securities on ASX. The agreement with Dean is on the same key terms as the executive service agreement with Phil Gallagher detailed above. The Company has issued to Dean 1,000,000 2009 Options and has agreed to issue to Dean 150,000 Shares under the Company's Employee Share Plan (refer to section 7.8 for details of the vesting conditions of these Shares).

(E) LEASE

Under a lease dated 4 October 2006 between Golden Hind and Colonial, Colonial has leased from Golden Hind part of Lot 11 Osmington Road, Bramley, Western Australia ("Lease"), being the premises on which Colonial's Margaret River operation is conducted.

The term of the Lease is 10 years commencing on 4 October 2006, with an option to renew the Lease for a further 10 years. The current rent under the Lease of \$80,000 per annum (plus GST) is payable monthly in advance. Under the terms of the lease, Colonial retains ownership of all buildings and improvements on the leased area.

(F) E SHED

By letter dated 21 September 2006, the Company entered into a conditional letter to lease premises at the western end of the E Shed Markets building, Victoria Quay, Fremantle to Colonial Brewing Company.

The letter is subject to various conditions including landlord's consent, Fremantle Port Authority approval, local government approval and obtaining the necessary liquor license.

On 23 October 2006, the Company became aware that the landlord's consent would not be provided and accordingly the lease for the E Shed would not be proceeding.

To the extent that the Company has received Applications from investors based on the Original Prospectus, the Company intends to deal with those Applications in accordance with section 724(2)(a) of the Corporations Act and will be contacting them in this regard.

(G) LEAD MANAGER AGREEMENT

The Company has entered into an agreement with Max Capital Pty Ltd ("Max") dated 29 September 2006 pursuant to which Max is appointed as Lead Manager to the Public Offer. Under the terms of this appointment, the Company will pay Max a lead management fee of 1% and a capital raising fee of 5% of the funds raised under the Prospectus. Max is responsible for paying any capital raising fees that Max and the Company agree with any other Financial Securities Licensees. The Company will

also reimburse Max any reasonable out of pocket expenses.

(H) ACQUISITION OF NORTH FREMANTLE

The Company has entered into an agreement to acquire the ground lease and existing business operating at 42 Port Beach Road, North Fremantle. The business currently trades as the "Oyster Bar on the Beach", though the Company is not acquiring the right to operate under this name.

The Company will pay \$2 million for the ground lease and business comprised of \$1.70 million cash (of which \$50,000 has been paid as a deposit) and \$300,000 by way of the issue of 857,143 Shares and 214,286 Options, exercisable at \$0.35 each on or before 30 November 2008. A further \$10,000 will be paid by the Company to the vendor for reimbursement of legal costs incurred by the vendor.

The agreement is conditional upon various matters including the Company raising \$12 million under the Prospectus, the vendor obtaining a new ground lease for 10 years (together with an option for a further 10 years) on terms reasonably acceptable to the Company and all consents for the assignment of the new ground lease to the Company being obtained by 30 June 2007, the Company obtaining planning approvals for the construction of a bar and restaurant at the property by 31 March 2007, the Director of Liquor Licensing approving the transfer of the liquor license to the Company by 31 March 2007 and there being no material adverse change to the property and the business in the Company's reasonable opinion before settlement.

The parties are in the process of negotiating a formal sale agreement consistent with the terms of the existing agreement.

The Company will only proceed with the acquisition of the Leighton Beach site in the event that it raises \$12 million under the Public Offer (including oversubscriptions of \$2 million). To the extent the Company does not achieve oversubscriptions, after listing the Company will consider other ways to finance the acquisition of the Leighton Beach site, though the Company will have no legal right or obligation to acquire the site in these circumstances.

If the Company fails to raise \$12 million under the Prospectus but proceeds with its listing on ASX then

the parties will negotiate exclusively for a period of 3 months after listing and the Company will pay to the vendor \$100,000 by way of the issue of 285,714 Shares and 71,429 Options. If these negotiations fail, the Company will forfeit the deposit to the vendor. If these negotiations are successful, the deposit and the above Shares and Options will constitute the deposit under the new agreement for the acquisition of the property and the business. If the Company does not list on ASX, the deposit will be forfeited to the vendor.

If all the conditions are satisfied but the Company does not complete the acquisition, the deposit shall be forfeited and the Company will issue 285,714 Shares and 71,429 Options to the vendor.

If the condition relating to the new ground lease is satisfied and the Company raises \$12 million under the Prospectus and proceeds with listing on ASX and the Company cannot complete the acquisition for other reasons, then the Company will forfeit the deposit to the vendor. However if the condition relating to the new ground lease is not satisfied and the Company raises \$12 million under the Prospectus and proceeds with listing on ASX then the deposit will be repaid.

7.7 LITIGATION

Legal proceedings may arise from time to time in the course of the Company's business. The Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company the outcome of which will have a material adverse effect on the business or financial position of the Company.

7.8 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in this Prospectus, no Director holds, or held at any time during the last 2 years before lodgment of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer; and

no amounts, whether cash or shares or otherwise, have been paid or agreed to be paid, and no benefits have been given or

agreed to be given:

- (a) to any Director, either to induce them to become, or to qualify as, a director of the Company; and
- (b) for services provided by a Director in connection with the formation or promotion of the Company or the Offer.

Directors' Remuneration

In accordance with the Constitution, the Company's shareholders as at the date of this Prospectus have determined in general meeting that the maximum non-executive director remuneration is to be no more than \$200,000 per annum.

The Directors have resolved that Mr Ashton, in his capacity as the non-executive Chairman, will be paid \$48,000 per annum and Messrs Macliver and Lucas and Ms Lamont, each in their capacity as non-executive Director, will be paid \$36,000 per annum.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Mr Ian Macliver is associated with Grange Consulting Group Pty Ltd and Max Capital Pty Ltd which have the interests and will be entitled to the payments set out in section 7.10 below. Mr Philip Lucas is associated with Pullinger Readhead Lucas who will receive payments set out in section 7.10 below.

Directors' Holdings

Under the Constitution, the Directors are not required to hold any Shares. However, as at the date of the Prospectus, the Directors hold the following securities (either directly or indirectly).

DIRECTOR	SHARES	2009 OPTIONS
MEL ASHTON	100,000	500,000
PHILLIP GALLAGHER	350,000	1,000,000
IAN MACLIVER	950,000	250,000
KATE LAMONT	—	250,000
PHILIP LUCAS	350,000	250,000

Please refer to section 7.3 of this Prospectus for details of the terms and conditions of the 2009 Options.

Mr Philip Gallagher is also entitled to a further 150,000 Shares under the Company's employee share plan,

summarised under section 7.5 above. These Shares are not included in the above table. The vesting of the Shares under the employee share plan is conditional on the Company opening a second venue and that venue achieving revenue of \$7 million in aggregate over 4 consecutive quarters. In the event the milestones are not achieved, the Shares will not vest. Dean McLeod is entitled to 150,000 Shares on the same conditions.

Mr Ian MacIver is associated with Max Capital Pty Ltd ("Max"). Max currently holds 950,000 Shares (included in the above table) and is also entitled to receive a further 450,000 Shares in certain circumstances, which Shares are not included in the above table. The issue of the further 450,000 Shares to Max is conditional on the Company achieving the same milestones as set out above with respect to Phillip Gallagher. In the event the milestones are not achieved, the Shares will not be issued. Mr Philip Lucas is also entitled to a further 150,000 Shares in the same circumstance as Max.

Contracts with Directors

The Company has entered into an executive services agreement with Phillip Gallagher. Please refer to section 7.6(c) of this Prospectus for details.

The Company has appointed Max Capital Pty Ltd, an entity associated with Ian MacIver, as Lead Manager to the Public Offer. Please refer to section 7.6(g) of this Prospectus for details.

7.9 CONSENTS

Each of the parties referred to in this section:

- (a) does not make, or purport to make any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

BDO Consultants (WA) Pty Ltd has given and has not, before lodgment of this Prospectus with the ASIC, withdrawn its written consent to being named as investigating accountant to the Offer in this Prospectus in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in section 5 of this Prospectus in the form and context in which the report is included.

BDO Chartered Accountants & Advisers has given and

has not, before lodgment of this Prospectus with the ASIC, withdrawn its consent to being named as auditor to the Company in this Prospectus and to the inclusion of references to the audited 2006 financial statements of the Company and Colonial in this Prospectus in the form and context in which they are included.

Grange Consulting Group Pty Ltd has given and has not, before lodgment of this Prospectus with the ASIC, withdrawn its written consent to being named as the corporate adviser to the Offer in this Prospectus in the form and context in which it is named.

Pullinger Readhead Lucas has given and has not, before lodgment of this Prospectus with the ASIC, withdrawn its written consent to being named as the solicitor to the Offer in this Prospectus in the form and context in which it is named.

Max Capital Pty Ltd has given and has not, before lodgment of this Prospectus with the ASIC, withdrawn its written consent to being named as the Lead Manager to the Offer in this Prospectus in the form and context in which it is named.

References to Computershare Investor Services Pty Ltd appears for information purposes only. Computershare Investor Services Pty Ltd has not been involved in the preparation of this Prospectus, do not make or purport to make any statement in this Prospectus and has not authorised or consented to the issue of this Prospectus.

7.10 INTERESTS OF EXPERTS AND ADVISERS

The nature and extent of the interests (if any) that:

- (a) a person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or

- (b) a promoter of the Company,

holds, or held at any time during the last two years before lodgment of this Prospectus with the ASIC, in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

is set out below.

The amount that anyone has paid or agreed to pay, or the nature and value of any benefit anyone has given or agreed

to give for services provided by:

- (a) a person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus; or
- (b) a promoter of the Company,

in connection with the formation or promotion of the Company or the Offer is set out below.

BDO Consultants (WA) Pty Ltd has acted as the investigating accountant to the Offer and prepared the Investigating Accountant's Report included in section 5 of this Prospectus. BDO Consultants (WA) Pty Ltd is entitled to be paid \$22,000 for preparation of the Investigating Accountant's Report and for assistance to the Company in relation to the due diligence process associated with the issue of this Prospectus.

BDO Chartered Accountants & Advisers has agreed to act as auditor to the Company and will be receive fees for rendering these services of approximately \$22,000.

Grange Consulting Group Pty Ltd has acted as the corporate adviser to the Company and provided corporate advice and assistance in relation to the Offer, assisting the Company in relation to its due diligence regime and enquiries and in relation to its application and admission to ASX. In respect of these services, Grange Consulting Group Pty Ltd is entitled to be paid \$60,000.

Pullinger Readhead Lucas has acted as the solicitor to the Offer and provided legal advice and assistance in relation to certain aspects of this Prospectus, the Company's due diligence regime and enquiries and in relation to its application and admission to ASX. In respect of these services, Pullinger Readhead Lucas will be paid \$90,000.

Max Capital Pty Ltd has acted as the Lead Manager to the Offer and provided assistance in relation to certain aspects of this Prospectus. In respect of these services, Max Capital Pty Ltd will be paid a Lead Manager's fee of 1% and a capital raising fee of 5% on funds raised. As at the date of the Prospectus, Max has a beneficial interest in 950,000 Shares. Max is also entitled to be issued a further 450,000 Shares in certain circumstances (refer to section 7.8)

7.11 CHESS

Empire will apply to participate in the Clearing House Electronic Sub-register System ("CHESS"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("ASTC")

(a wholly owned subsidiary of ASX), in accordance with the ASX Listing Rules and the ASTC Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, the Company will provide Shareholders with a holding statement (which is similar to a bank account statement) that sets out the number of securities allotted to that Shareholder under this Prospectus.

This statement will also advise investors of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time however a charge may be incurred for additional statements.

7.12 EXPENSES OF THE OFFER

If the Offer proceeds, the total estimated costs of the Offer including accounting fees, legal fees, printing and design costs and application fees and other associated and sundry expenses associated with the Offer are estimated to be approximately \$890,000. Additional costs will be incurred if oversubscriptions are received. These expenses will be borne by the Company.

8. GLOSSARY

The following terms have the following meanings in this Prospectus:

\$	Australian dollars
2009 OPTION	an option to acquire a Share on the terms and conditions set out in section 7.3 of this Prospectus
ACH CLEARING RULES	the operating rules of Australian Clearing House Pty Limited
APPLICANT	a person who submits an Application Form
APPLICATION	an application for Shares and Options pursuant to the Public Offer or an application for Shares and Options pursuant to the Colonial Offer
APPLICATION FORM	a Public Offer Application Form or a Colonial Offer Application Form through which an Application can be made
ASIC	the Australian Securities & Investments Commission
ASTC RULES	the settlement rules of Australian Settlement and Transfer Corporation Pty Ltd
ASX	Australian Stock Exchange Limited
ASX LISTING RULES	the listing rules of ASX as amended from time to time
BOARD	the board of Directors
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement and Transfer Corporation Pty Limited
CLOSING DATE(S)	the last date on which Application Forms may be submitted
COLONIAL OR COLONIAL BREWING COMPANY	Colonial Brewing Company Pty Ltd ABN 67 103 351 168

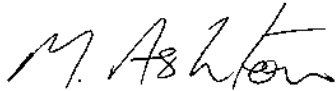
COLONIAL OFFER	the offer of Shares and Options to the Minority Colonial Shareholders pursuant to this Prospectus as part consideration for the acquisition of the Colonial Shares held by the Minority Colonial Shareholders
COLONIAL OFFER APPLICATION FORM	the application form attached to this Prospectus by which Colonial Shareholders may apply for Shares and Options pursuant to the Colonial Offer
COLONIAL SHARES	all of the fully paid ordinary shares in the capital of Colonial
COLONIAL SHAREHOLDERS	the holders of Colonial Shares
COMPANY OR EMPIRE OR EMPIRE BEER GROUP	Empire Beer Group Limited ABN 45 119 327 169
CONSTITUTION	the constitution of the Company
CORPORATIONS ACT	Corporations Act 2001 (Cth)
CPI	Consumer Price Index (All Groups for the City of Perth) published from time to time by the Australian Bureau of Statistics
DIRECTORS	directors of the Company
EXPOSURE PERIOD	the period of 7 days from the date of lodgement of the Original Prospectus with ASIC
GOLDEN HIND	Golden Hind Holdings Pty Ltd ABN 93 052 435 506
MINORITY COLONIAL SHAREHOLDERS	the Colonial Shareholders other than Golden Hind
NORTH FREMANTLE	the site located at 42 Port Beach Road, North Fremantle, Western Australia
OFFER	the Public Offer and the Colonial Offer made pursuant to this Prospectus

OFFICIAL LIST	the official list of ASX
OFFICIAL QUOTATION	official quotation by ASX in accordance with the ASX Listing Rules
OPENING DATE	the first date on which Application Forms can be received
OPTION	an option to acquire a Share on the terms and conditions set out in section 7.2 of this Prospectus
OPTIONHOLDER	a holder of an Option(s)
ORIGINAL PROSPECTUS	the prospectus dated 13 October 2006 issued by the Company and lodged with the ASIC on that date
PROSPECTUS	this replacement prospectus dated 24 October 2006 which replaces the prospectus dated 13 October 2006 and lodged with the ASIC on that date
PUBLIC OFFER	the offer of Shares and Options to the public pursuant to this Prospectus
PUBLIC OFFER APPLICATION FORM	the application form attached to this Prospectus by which an application for Shares and Options pursuant to the Public Offer may be made
PUBLIC OFFER PRICE	\$0.35 per Share
SHAREHOLDER	a holder of a Share(s)
SHARE	a fully paid ordinary share in the capital of the Company
WST	Western Standard Time

9. DIRECTORS' STATEMENT

The replacement prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgment of this replacement prospectus with the ASIC and has not withdrawn that consent. This replacement prospectus replaces the prospectus lodged by the Company with the ASIC on 13 October 2006.

This replacement prospectus has been signed pursuant to section 351 of the Corporations Act for lodgment with the ASIC.

A handwritten signature in black ink, appearing to read 'M. Ashton', written in a cursive style.

MEL ASHTON, CHAIRMAN

24 OCTOBER, 2006

