Golden West Brewing Company, Inc.
Form 10QSB
May 15, 2007

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

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2007

OR

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

Commission file number 000-51808

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

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

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

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

Former name, former address, and former fiscal year, if changed since last report

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

Yes [X] No [ ]

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

As of May 15, 2007, the Registrant had 2,818,000 shares of its Common Stock outstanding.

Transitional Small Business Disclosure Format (check one) Yes [ ] No [X]

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PART I -- FINANCIAL INFORMATION

PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Golden West Brewing Company, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2006 and March 31, 2007, and its results of operations for the three month periods ended March 31, 2007 and 2006 and its cash flows for the three month periods ended March 31, 2007 and 2006 and the statement of stockholder s equity as of March 31, 2007. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-KSB.

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS OF

ASSETS		(unaudited)
Current Assets:	December 31, 2006	March 31, 2007
Cash and cash equivalents	$ 344	$ 318
Accounts receivable, net of allowance for doubtful accounts of $864	107,859	132,176
and $6,527 at December 31, 2006 and March 31, 2007, respectively		
Inventory (Note 1)	192,015	180,641
Prepaid Expenses	17,634	15,785
Total current assets	317,852	328,920
Fixed Assets:		
Property and equipment, net of accumulated depreciation of $36,683	276,097	271,006
and $40,594 at December 31, 2006 and March 31, 2007, respectively		
Other Assets:		
Note Receivable Customer (Note 3)	-	40,000
New Equipment Deposits	-	22,200
Intangibles, net of accumulation amortization of $7,235 and $8,612 at December 31, 2006 and March 31, 2007, respectively	20,313	17,083
Other assets	8,512	19,455
Total other assets	28,825	98,738
Total Assets	$ 622,774	$ 698,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Checks written in excess of available funds	$ 9,260	$ 8,799
Accounts payable	279,968	267,945
Accrued expenses	205,147	224,343
Lines of credit payable (Note 2)	35,326	34,606
Notes payable - other, current portion (Note 2)	4,850	4,960

Notes payable, related party, current portion (Note 2)	16,886	77,636
Total current liabilities	$ 551,437	$ 618,289
Long-term liabilities:		
Notes payable, net of current portion (Note 2)	36,636	11,360
Notes payable - related party, net of current portion (Note 2)	650,000	668,983
Total long-term liabilities	686,636	680,343
Common stock issued subject to rescission (Note 5)	10,000	10,000
Total Liabilities	$ 1,248,073	$1,308,632
Commitments and Contingencies (Notes 1,2,3,4, 5, 6,7, 8, 10 and 11)		
Stockholders' Equity		
Preferred stock, $.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common Stock, $.0001 par value, 20,000,000 shares authorized, 2,408,000 and 2,818,000 shares issued and outstanding at December 31, 2006 and March 31, 2007, respectively	241	282
Additional paid-in capital	594,845	855,575
Accumulated (Deficit)	(1,220,385)	(1,465,825)
Total Stockholders' Equity	(625,299)	(609,968)
Total Liabilities and Stockholders' Equity	$ 622,774	$ 698,664

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 & 2006 (UNAUDITED)

	2007	2006
Revenues	$ 311,682	$ 194,900
Less: Excise taxes	(14,834)	(10,020)
Net revenues	296,848	184,880
Cost of sales	228,789	126,611
Gross profit	68,059	58,269
Operating expenses:		
Depreciation and amortization	8,631	7,824
Legal and accounting	20,193	41,578
Management compensation	24,250	19,807
Outside sales compensation	3,813	23,254
Rent	11,178	9,450
Selling expenses	22,682	23,726
Stock Option compensation	8,477	-
Stock transfer agent expense	666	-
Other	73,292	54,223
Total operating expenses	173,182	179,862
Operating (Loss)	(105,123)	(121,593)
Other Income (Expense):		
Stock Warrant Financing Costs	(122,869)	
Used equipment sales Net	1,612	
Miscellaneous income	599	369
Interest expense	(19,659)	(13,201)
Total other (expense)	(140,317)	(12,832)
Net (Loss)	$ (245,440)	$ (134,425)

Net (Loss) Per Share	$ (.0939)	$ (.0672)
Weighted Average Shares Outstanding	2,613,000	2,000,000

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
MARCH 31, 2007 (UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Totals
Balance, December 31, 2005	-	-	2,000,000	$ 200	$ 449,800	$ (190,774)	$ 269,226
Stock issued for cash			408,000	41	203,959		204,000
Offset Capitalized Stock Issuance Costs					(150,000)		(150,000)
Stock issued to employees for services			10000		5,000		5,000
Stock Option Compensation					86,086		86,086
Net (Loss)	-	-	-	-	-	(1,029,611)	(1,029,611)
Balance, December 31, 2006	-	-	2,418,000	$ 241	$ 594,845	$ (1,220,385)	$ (625,299)
Stock issued for cash			400,000	41	129,384		129,425
Stock Purchase Warrants Issued in Financing					122,869		122,869
Stock Option Compensation					8,477		8,477
Net (Loss)						(245,440)	(245,440)
Balance, March 31, 2007	-	-	2,818,000	$ 282	$ 855,575	$ (1,465,825)	$ (609,968)

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY AND SUBSIDARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(Unaudited)

	2007	2006
Cash Flows from Operating Activities:		
Net loss	$ (245,440)	$ (134,425)
Adjustments to reconcile net loss to net cash used		
in operating activities:		
Depreciation	7,254	6,543
Amortization of intangibles	1,377	1,281
Stock Warrant Financing Costs	122,869	
Stock Option compensation	8,477	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	(24,317)	3,080
Inventories	11,374	(32,712)
Prepaid expenses and other receivables	1,849	(7,588)
Increase (decrease) in:		
Checks written in excess of funds available	(461)	950
Accounts payable	(12,023)	33,493
Accrued Expenses	19,196	12,122
Net cash (used in) operating activities	(109,845)	(117,256)
Cash Flows from Investing Activities:		
Equipment deposits		
Net Investment in fixed assets	(2,163)	(6,149)
Investment in intangibles and other assets	(9,090)	(4,734)
Advances to related company	(40,000)	-
Deposits on new equipment	(22,200)	-
Net cash (used in) investing activities	(73,453)	(10,883)
Cash Flows from Financing Activities:		
Proceeds from Paid-In Capital	129,425	-
Deferred offering costs		-

Net Increase in Advances and Notes Payable	53,847	117,302
Net cash provided by financing activities	183,272	117,302
Decrease in Cash and Cash Equivalents	(26)	(10,837)
Cash and Cash Equivalents, beginning of period	344	10,837
Cash and Cash Equivalents, end of period	$ 318	$ -
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	$ 19,659	$ 13,201

See accompanying notes to these financial statements

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

1. Nature of Business and Significant Accounting Policies:

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

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

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

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

Inventory - Inventory is stated at the lower-of-average cost or market computed on a first-in first-out basis.

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

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

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

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and advances. At March 31, 2007 and December 31, 2006, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

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

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

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

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

Development Stage Enterprise - Until August 31, 2005, the Company was a development stage enterprise since planned principal operations had not yet commenced. As a result of the acquisition of Butte Creek on August 31, 2005, the Company is no longer considered a development stage enterprise (Note 9).

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

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

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

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

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

2. Advances and Notes Payable:

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. The advance continues to be uncollateralized and due on demand. This advance started to accrue interest at 8% on January 1, 2006 and had accrued interest as of March 31, 2007 of $875.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to payoff Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March 2008. As of March 31, 2007, the Tiffany Grace note had current maturities of $4,960 and a long-term maturity of $11,360. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of March 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $5,009 and ($2,462) respectively and long-term maturities of $50,000 and $20,500, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of it s note to an unrelated third party on September 15, 2006.

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

($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of March 31, 2007, these notes had no current maturities and long-term maturities of $215,000 and $90,000 respectively and had accrued interest of $24,188 and $10,125 respectively.

As part of the acquisition of Butte Creek, the Company assumed an $8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of March 31, 2007 the note had accrued interest of $3,830.

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

In the twelve months ended December 31, 2006, John Power and Power Curve, Inc. have made advances to the Company of $115,000 and $155,000, respectively. The advances are uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of March 31, 2007, these notes had no current maturities and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $2,588 and $3,488 respectively.

During the three months ended March 31, 2007, John Power and Sea Ranch Lodge & Village, LLC a company controlled by John Power have made short-term advances to the Company in the amount of $10,750 and $50,000 respectively. The advances are uncollateralized and due on demand.

Lines of Credit -The Company assumed a $25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 18%. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek's Managing Member and former general manager. The outstanding balance as of March 31, 2007 was $24,120.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America (formerly MBNA) with interest at the rate of 29.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore, Butte Creek's managing member and our former general manager. The outstanding balance on March 31, 2007 was $10,486.

Notes Payable

March 31, 2007	**Current Portion**	**LT Portion**	**Interest Rate**	**Maturity Date**	**Collateralized**
Lines of Credit					
Atmore Bank of America	$ 10,486		29.98%	Demand	No
	24,120		18.00%	Demand	No

Atmore - Wells Fargo					
TOTAL	$ 34,606				

Notes Payable - Related Parties					
Power Curve, Inc.		$ 50,000	9%	Sep-08	Yes
Power Curve, Inc.		90,000	9%	Dec-08	Yes
Power Curve, Inc.		155,000	8%	Dec-08	Yes
John C. Power		215,000	9%	Dec-08	Yes
John C. Power		115,000	8%	Dec-08	Yes
Lone Oak Vineyards, Inc.		20,500	9%	Sep-08	Yes
J. Andrew Moorer	8,750		8%	Demand	No
B. Detweiler	8,136	–––	8%	Demand	No
TOTAL	$16,886	$645,500			

Notes Payable - Unaffiliated					
Tiffany Grace	$4,960	$11,360	9%	Mar-08	Yes
Dayton Misfeldt Trust		23,483	9%	Sep-08	Yes
TOTALS	$21,846	$680,343			

3. Related Party Transactions

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

(b) In January 2005, John Power converted $22,500 in outstanding advances to the Company into 90,000 shares of common stock.

(c) Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to pay off Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March 2008. As of March 31, 2007, the Tiffany Grace note had current maturities of $4,960 and a long-term maturity of $11,360. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of March 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $5,009 and ($2,462) respectively and long-term maturities of $50,000 and $20,500 respectively after the sale by Lone Oak of $25,000 of its note to an unrelated third party on September 15, 2006.

(d) On December 30, 2005, John Power converted $10,000 in outstanding advances to the Company into 40,000 shares of common stock.

(e) On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of March 31, 2007, these notes had accrued interest of $24,188 and $10,125 with no current maturities and long-term maturities of $215,000 and $90,000 respectively.

(f) Effective December 30, 2005, our attorney Clifford Neuman converted $25,000 in accrued fees payable into 100,000 shares of common stock at a conversion price of $.25 per share. The accrued fees were incurred in connection with this offering. Mr. Neuman immediately gifted the shares to his two children equally.

(g) In the twelve months ended December 31, 2006, John Power and Power Curve, Inc. have made advances to the Company of $115,000 and $ 155,000 respectively. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens on those assets. As of March 31, 2007, these notes had current maturities of $0 and $0 respectively and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $2,588 and $3,488 respectively.

(h) John Power and Power Curve, Inc. have made advances to one of our distributor/customers, Craft Brewers. This distributor accounted for 6.6 % of gross sales in 2006 and 9.2% of gross sales in the three months ended March 31, 2007.

In March 2007, the Company made a secured loan to the same customer/distributor in the amount of $40,000. The loan was secured by all of the assets (receivables, inventory and equipment) of the distributor. This Distributor owed us $11,264 for beer as of March 31, 2007 and $6,009 for other costs as of March 31, 2007

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

(j) During the three months ended March 31, 2007, John Power and Sea Ranch Lodge & Village, LLC a company controlled by John Power have made short-term advances to the Company in the amount of $10,750 and $50,000 respectively. The advances are uncollateralized and due on demand.

(k) Subsequent to March 31, 2007, John C. Power and Power Curve, Inc. have made short-term advances to the Company in the amount of $31,950 and $27,750 respectively. The advances are uncollateralized and due on demand.

4. Operating Leases

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

Future minimum lease payments under this lease are as follows:

Year Ending December 31,

2007	$44,712
2008	$44,712
2009	$44,712
2010	$44,712

5. Commitments & Contingencies

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

B. Delinquent Taxes & Rent

At March 31, 2007, the Company had outstanding payroll tax liabilities of $53,568. Of these amounts $44,965 are considered delinquent.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Tax and trade Bureau ("TTB"), and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At March 31, 2007, the Company had alcohol related taxes payable to federal and state taxing authorities of $11,385. The detail of those taxes payable is as follows:

	March 31, 2007		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$47,545	$42,356	PAYROLL TAXES
	$ 6,023	$ 2,609	PAYROLL TAXES

CA Employment Development Department			
Federal Tax and Trade Bureau	$ 9,468	$ 0	EXCISE TAX
CA Board of Equalization	$ 1,917	$ 0	EXCISE TAX
CA Board of Equalization	$ 3,686	$ 3,324	SALES AND USE TAX
CA Department of Conservation	$33,100	$31,635	CRV TAX

CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$15,289	$15,289	PROPERTY TAXES

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

At March 31, 2007 the Company had outstanding rent obligations assumed from Butte Creek on our operating facility of $17,950. The Landlord made a demand for payment on or before November 1, 2006. The Company was unable to make this payment requested and has no further discussions with the landlord regarding this matter.

C. Mateveza USA, LLC

In November, 2006, the Company entered into a License, Production and Distribution Agreement with Mateveza USA, LLC, a California limited liability company (Mateveza) to manufacture, sell and distribute Mateveza s proprietary yerba mate ales within an exclusive territory consisting of the states of California, Oregon, and Washington. Under the terms of the arrangement, the Company has agreed to advance production costs and sell under a jointly-developed marketing plan and pay Mateveza a royalty equal to fifty percent of the net profits generated from the sale of the Mateveza

yerba mate ales. In addition, the Company has agreed to maintain a minimum manufacturing capacity of 1,000 barrels per year, and have a right of first refusal with respect to any required capacity in excess of that amount.

D. Bison Brewing Company

In February, 2007, the Company entered into a Production Agreement with Bison Brewing Company, LLC (Bison Brewing) be a contract brewer for Bison Brewing s craft beers. In consideration of the contract brewing, Bison has agreed to pay all direct production costs, including materials, bottling and labor and to share general and administrative expenses of the brewery. While the Company has contract brewed for Bison Brewing in the past, this arrangement will increase the volume of product that will be generated under the arrangement. As part of the agreement with Bison Brewing, our subsidiary hired Daniel Del Grande, President of Bison, as its Chief Financial Officer. As CFO, Mr. Del Grande will devote 50% of his time to the Company and receive a salary of $30,000 per year for a term of two years, expiring February 2009.

6. Deferred Offering Costs:

As of June 30, 2006, the Company had incurred $232,089 related to the pending public offering of its securities. The Company has carried $150,000 of the costs as deferred offering costs and has expensed $11,295 in fiscal 2005 and $70,794 in the 6 months ended June 30, 2006. The deferred offering costs were charged against the proceeds of the offering. All offering costs incurred in excess of $150,000 were expensed in the period incurred.

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

7. Common Stock:

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

In December 2006, the Company granted a one-time bonus of 1,000 common shares to each full-time employee for a total of 10,000 common shares. The shares were expensed as stock compensation expense in 2006 and the shares were issued in January 2007.

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

The fair value of the warrants issued in the private placement was estimated utilizing the Black-Scholes pricing model with the following assumptions: expected life of 2 years; expected volatility of 50%; risk free interest rate of 4.57% and no dividend yield. The fair value of the warrants totaling $131,346 has been charged to other expenses as financing costs for the three months ended March 31, 2007.

8. Income Taxes

The Company is subject to income taxes on income arising in, or derived from, the tax jurisdictions in which it operates.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are comprised mainly of net operating loss carry-forwards.

The reconciliation between the statutory federal tax rate and the effective tax rate as a percentage is as follows:

	2007	2006
Statutory federal income tax rate	34%	34%
Effect of net operating loss carry-forward	(34)	(34)
	-%	-%

At March 31, 2007, the Company had net operating loss carry-forwards of approximately $1,220,000 available to reduce future taxable income. The net operating loss carry forwards expire in various years through 2026.

9. Acquisition

On August 31, 2005, the Company acquired all the assets and certain liabilities of Butte Creek Brewing Company, LLC (Butte Creek). The results of Butte Creek's operations have been included in the consolidated financial statements since that date. Butte Creek was a manufacturer of craft beers, specializing in organic beers. The Company made the acquisition to become an organic craft brewer and expects to continue to produce organic craft beers and to market them strategically in niche markets to capitalize on dedication to the use of organic ingredients.

This business combination was accounted for as a purchase of Butte Creek by the Company under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Under the purchase method of accounting, the total purchase price, including transaction costs, is allocated to the net tangible and intangible assets acquired by the Company in connection with the transaction, based on their fair values as of the completion of the transaction. The aggregate purchase price was $983,084, including $567,400 cash, $365,684 assumed liabilities, and 200,000 shares of common stock valued at $50,000. The $567,400 cash consisted of advances to Butte Creek of $215,035 and $134,965 during the years ended December 31, 2004 and 2003, respectively, and advances of $217,400 during the eight months ended August 31, 2005. These advances were prepayments on the purchase of assets and were uncollateralized.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

At August 31, 2005

Current assets	$197,612
Property, plant and equipment	287,969
Intangible assets	25,000

Goodwill	472,503
Total assets acquired	983,084
Current liabilities	365,684
Total liabilities assumed	365,684
Net assets acquired	$617,400

The $25,000 of acquired intangible assets relate to trade names and trademarks that had an expected remaining useful life of approximately five years at the time of their acquisition and are being amortized on a 5-year schedule.

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

10. Equity Incentive Plan:

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. That in consideration of their services to the Company, certain consultants, employees, officers and directors were granted non-qualified stock options exercisable to purchase, in the aggregate 400,000 shares of common stock at an exercise price of $0.50 per share. The foregoing options are exercisable until December 31, 2012, their Expiration Date . The foregoing options are subject to vesting and become exercisable 50% on the date of grant; 16.67% on July 31, 2007; 16.67% on July 31, 2008; and 16.66% on July 31, 2009, subject to the holder continuing to serve in their positions with the Company, or in some other capacity as shall be approved by the Company and the holder, on each vesting date.

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

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

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

The following table presents summarized information about fixed price stock options at December 31, 2006:

Exercise Prices	Weighted Average Number	Weighted Average	Weighted Average	Number Exercisable

	Outstanding	Contracted Life	Price	
$0.50	400,000	5.4 years	$0.50	200,000

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

Expected volatility	75%
Risk-free interest rate	4.85%

11. Subsequent Events:

(k) Subsequent to March 31, 2007, John C. Power and Power Curve, Inc. have made short-term advances to the Company in the amount of $31,950 and $27,750 respectively. The advances are uncollateralized and due on demand.

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

Plan of Operations

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

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

* <u>Increase Gross Profit Margin.</u> In addition, our gross profit margin must be increased to at least 30% of sales. Our plan is to take advantage of our increased production capacity and increase our production which should lower our average cost per barrel of beer produced. Also, we are trying to improve our product mix with higher margin products including more draft beer sales. We also are raising our prices for contract brewing. Finally, we raised our prices in early 2006 and notified most of our distributors of a price increase effective January 2007. Another price increase in certain territories is being planned for Q3 2007. We are also negotiating a glass supply agreement with an alternate glass supplier. If completed, we believe this reduce our glass costs starting in Q3 2007. There is no assurance that we will be successful in implementing our plan to increase our gross profit margin. Many of these strategies have contributed to an improvement in our gross profit margin but have been outweighed by negative contributing factors including rising raw material costs, contract brewing increasing as a percentage of total sales, inventory adjustments and shortages and packaging inefficiencies caused by an equipment problem. .

* <u>Control Selling, General & Administrative Expenses</u>. In addition to raising sales, we must control our expenditures to achieve a break-even operating level. We have taken steps to reduce our monthly operating expenses by reducing our employee head-count. These savings have been off-set by wage increases for other remaining employees. In addition, we have reduced our direct sales effort in California during 2006 and have eliminated most direct sales in 2007. Our Direct sales effort consisted of three delivery vans selling directly from our brewery in Chico. We believe the costs of our direct sales may outweigh the sales volume derived from this effort.

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

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

* <u>Continued Operating Losses</u>. Our history of operating losses makes it difficult to raise capital for our working capital needs.

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

Both Golden West and Butte Creek which we acquired on August 31, 2005 have sustained losses from operations. Golden West has a working capital deficit which raise substantial doubts about their ability to continue as a going concern. Our audited financial statements have received going concern qualifications from our Independent Registered Public Accounting Firm.

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

Possible Section 5 Violation

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

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

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

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

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

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

Critical Accounting Policies And Estimates

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

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

Overview - Factors Affecting Results of Operations

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

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

Operating and Financial Review and Prospects

Operating Results

For the quarter ended March 31, 2007 compared to the quarter ended March 31, 2006:

SALES. Gross Sales were $311,682 for the quarter ended March 31, 2007. Sales net of excise taxes (Net sales) for the quarter ended March 31, 2007 were $296,848 compared to $194,900 in Gross Sales and $184,880 in net sales for the quarter ended March 31, 2006. Net Sales increased $111,968 or 60.5% over the prior year period. The increase was due to our increased penetration in chain-based grocery stores. Our sales by segment consisted of:

Case Beer Sales	87.37%
Draft Beer Sales	5.83%
Contract Brewing	6.80%

COST OF GOODS SOLD. Total Cost of goods sold for the quarter ended March 31, 2007 was $228,789 or 77.1% of net sales compared to $126,611 or 68.5% for the quarter ended March 31, 2006. Our cost of goods sold for the current period for each segment based on Gross Sales without regard for shipping costs or spoiled product was:

Case Beer Sales	68.57%
Draft Beer Sales	74.00%
Contract Brewing	71.63%

In addition we had $10,505 in freight and $2,750 in spoiled product costs that were not allocated to any segment but was part of our total cost of goods sold.

Our cost of goods sold, for the quarter, was the best in our case beer sales and the worst in draft brewing. Our cost of goods sold was negatively impacted in the quarter by (a) increases in the cost of certain raw materials (b) discounted beer sales to avoid spoilage (c) inventory adjustments and shortages and (d) packaging inefficiencies caused by an equipment problem.

GROSS PROFIT. Gross profit for the quarter ended March 31, 2007 was $68,059 or 22.9% of net sales compared to $58,269 or 31.5% of net sales in the quarter ended March 31, 2006. Our goal is to increase our gross profit to at least 30% of net sales.

OPERATING EXPENSES. Total operating expenses were $173,182 for of the quarter ended March 31, 2007 compared to $179,862 in the quarter ended March 31, 2006. The decrease was primarily due to reduced legal fees associated with our initial public offering in 2006.

Components of operating expenses were:

* Depreciation & Amortization expense was $8.631 for the quarter ended March 31, 2007 compared to $7,824 for the comparable quarter in 2006. The increase was the result of tangible and intangible assets acquired in 2006.
* Management compensation was $24,250 for the quarter ended March 31, 2007 compared to $19,807 in the corresponding quarter ended March 31, 2006. The increase was related to more salaried management personnel in the quarter.
* Rent expense was $11,178 for the quarter ended March 31, 2007 compared to $9,450 in the corresponding quarter in 2006. The increase was due to a rent increase that was effective in July 2006.
* Selling expense was $22,682 for the quarter ended March 31, 2007 compared to $23,726 for the quarter ended March 31, 2006. The decrease was related to the company s reduction in self-distribution.
* Outside Sales Compensation was $3,813 for the quarter ended March 31, 2007 compared to $23,254 in the prior fiscal year. The decrease was due to a shift in selling policies eliminating all self-distribution during the quarter ended March 31, 2007
* Other General & Administrative Operating Expenses were $82,435 for quarter ended March 31, 2007 compared to $54,223 for the quarter March 31, 2006. This category s primary components are legal, accounting, bad debts, consulting fees, insurance, stock and option-based compensation expense, certain payroll and payroll related expenses.

OPERATING LOSS. The operating loss for the quarter ended March 31, 2007 decreased $16,470 or 13.5% to $105,123 from $121,593 compared to the corresponding quarter ended March 31, 2006. The decrease was the result of reduced legal expense associated with our public offering in 2006.

OTHER INCOME & EXPENSE. Net other expense was $140,317 for the quarter ended March 31, 2007 compared to $12,832 for the corresponding quarter ended March 31, 2006. The increase was due to stock warrant financing costs associated with our private placement in March 2007. The other primary components were income derived from the sale of used kegs and interest expense of $19,659 related to debt assumed as part of the Butte Creek acquisition on August 31, 2005 and incurred to purchase equipment and sustain operations.

NET LOSS. Net loss increased $111,015 or 82.6% to $245,440 for the quarter ended March 31, 2007 compared to $134,425 for the quarter ended March 31, 2006. The increase was primarily due to the stock warrant financing costs associated with our private placement in March 2007.

Liquidity and Capital Resources

We have required capital principally for the purchase of Butte Creek and the funding of operating losses, working capital and capital expenditures. Since Inception,, we have financed our capital requirements through the sale of equity and short and long-term borrowings primarily from related parties. We do not have sufficient cash on hand or available credit facilities to continue operations and are dependent upon securing loans or the sale of equity to provide adequate working capital to continue operations. The terms of future financings could be highly dilutive to existing shareholders. There are no assurances that we will be able to secure additional capital to maintain operations.

We had $344 cash and cash equivalents and a negative working capital of $233,585 at March 31, 2007. Our long-term debt was $686,636 at March 31, 2007.

During the quarter ended March 31, 2007, the Company's capital expenditures, including deposits paid for new equipment, totaled $41,906.

Available Credit

The Company assumed a $25,000 balance on a credit card issued by Wells Fargo Bank, with interest at the rate of 18%. The card is uncollateralized and guaranteed by Tom Atmore, Butte Creek's former general manager. The outstanding balance as of March 31, 2007 was $24,120.

The Company assumed a $15,400 line of credit on a Butte Creek credit card with Bank of America/MBNA with interest at the rate of 29.98%. The debt on the credit card is uncollateralized but guaranteed by Tom Atmore, Butte Creek's former general manager. The outstanding balance as of March 31, 2007 was $10,486.

Notes Payable

On November 1, 2004, J. Andrew Moorer, a former Director of the Company, made an uncollateralized advance of $8,750. This advance started to accrue interest at 8% on January 1, 2006 and has accrued interest of $875 as of March 31, 2007.

Between March and September 2005, the Company borrowed a total of $125,000 from three lenders: $50,000 in July 2005 from Power Curve, Inc. (a company controlled by John Power); $50,000 in May 2005 from Lone Oak Vineyards, Inc. (a company controlled by Brian Power); and $25,000 in March 2005 from Tiffany Grace, an unaffiliated party. The loans were used to payoff Butte Creek's loans to Tri County Economic Development Corporation, purchase additional equipment and provide working capital. The Tiffany Grace note, which was executed on September 9, 2005 accrues interest at the rate of 9% per annum, is payable in monthly payments of principal and interest based upon a five year amortization, and is due in full March 2008. As of March 31, 2007, the Tiffany Grace note had current maturities of $4,960 and a long-term maturity of $11,360. The Power Curve and Lone Oak notes were executed in September, 2005, accrue interest at the rate of 9% per annum, and are payable in full in 2008. The loans are collateralized by a security interest covering all of our tangible and intangible assets. As of March 31, 2007, the Power Curve and Lone Oak notes had accrued interest of $5,009 and ($2,462) respectively and long-term maturities of

$50,000 and $20,500, respectively, after the sale by of the Lone Oak Vineyards of $25,000 of its note to an unrelated third party on September 15, 2006.

On December 30, 2005, John Power and Power Curve, Inc. converted $215,000 and $90,000, respectively, in outstanding advances into collateralized long-term debt. The notes bear interest at 9% and mature December 31, 2008 and are collateralized by a security interest covering all of our tangible and intangible assets but are junior to the security interest granted to Power Curve, Inc. ($50,000), Lone Oak Vineyards, Inc. ($25,000), Dayton Misfeldt Trust ($25,000) and Tiffany Grace ($25,000) in September 2005 described above. As of March 31, 2007, these notes had current maturities of $0 and $0 respectively and long-term maturities of $215,000 and $90,000 respectively and had accrued interest of $24,188 and $10,125 respectively.

As part of the acquisition of Butte Creek, the Company assumed an $8,136 note payable to Bruce Detweiler, a member of Butte Creek. As of March 31, 2007 the note had accrued interest of $3,830.

The Company has pledged substantially all of its assets to secure some of the notes. Should the Company default in the payment of these secured notes, the collateral could be subject to forfeiture. In the twelve months ended December 31, 2006, John Power and Power Curve, Inc. have made advances to the Company of $115,000 and $155,000, respectively. The advances are uncollateralized and due on demand. On December 31, 2006, John Power and Power Curve, Inc. converted these advances of $115,000 and $155,000, respectively, into collateralized long-term debt. The notes bear interest at 8% and mature December 31, 2008 and are collateralized by all tangible and intangible assets but junior to all prior perfected liens against those assets. As of March 31, 2007, these notes had current maturities of $0 and $0 respectively and long-term maturities of $115,000 and $155,000 respectively and had accrued interest of $2,588 and $3,488 respectively.

During the three months ended March 31, 2007, John Power and Sea Ranch Lodge & Village, LLC a company controlled by John Power have made short-term advances to the Company in the amount of $10,750 and $50,000 respectively. The advances are uncollateralized and due on demand.

Delinquent Taxes & Rent

At March 31, 2007, the Company had outstanding payroll tax liabilities of $53,568. Of these amounts $44,965 are considered delinquent.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Tax and trade Bureau ("TTB"), and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At March 31, 2007, the Company had alcohol related taxes payable to federal and state taxing authorities of $11,385. The detail of those taxes payable is as follows:

	March 31, 2007		
Tax Agency	Due	Delinquent	
Internal Revenue Service	$47,545	$42,356	PAYROLL TAXES

CA Employment Development Department	$ 6,023	$ 2,609	PAYROLL TAXES
Federal Tax and Trade Bureau	$ 9,468	$ 0	EXCISE TAX

CA Board of Equalization	$ 1,917	$ 0	EXCISE TAX
CA Board of Equalization	$ 3,686	$ 3,324	SALES AND USE TAX
CA Department of Conservation	$33,100	$31,635	CRV TAX
CA Franchise Tax Board	$ 6,600	$ 6,600	FRANCHISE TAXES
Butte County Tax Collector	$15,289	$15,289	PROPERTY TAXES

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

At March 31, 2007 the Company had outstanding rent obligations assumed from Butte Creek on our operating facility of $17,950. The Landlord made a demand for payment on or before November 1, 2006. The Company was unable to make this payment requested and has no further discussions with the landlord regarding this matter.

Off Balance Sheet Arrangements

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

Overview of Product Distribution

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

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

Certain Considerations: Issues and Uncertainties

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

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

Recent Accounting Pronouncements

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

ITEM 3. CONTROLS AND PROCEDURES

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

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

Our principal executive and financial officer does not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer has determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error

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or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

OTHER INFORMATION

Item 1. Legal Proceedings

None, except as previously disclosed.

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

None, except as previously disclosed.

Item 3. Defaults Upon Senior Securities

None, except as previously disclosed.

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

None, except as previously disclosed.

Item 5. Other Information

None, except as previously disclosed.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

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

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SIGNATURES

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

GOLDEN WEST BREWING COMPANY, INC.

Date: May 15, 2007

By: */s/ John C. Power*

John C. Power, President, Chief Financial

Officer, Principal Accounting Officer