



We Listen. We Brew.

1st Quarter Report

Three Months Ending April 30, 2009



BRICK BREWING CO. LIMITED

LETTER TO THE SHAREHOLDERS

Dear Shareholder:

With fiscal 2009 behind us, we are focusing on the future of Brick Brewery. The positive results for the first quarter of fiscal 2010 demonstrate how the Company will benefit from the significant and sustainable cost reductions made in fiscal 2009. While we have only just begun this new fiscal year, the management team is increasingly optimistic and particularly excited to report the results for the first quarter.

Some quick financial highlights are as follows

- Net revenue growth of 3.2% compared to the first quarter of fiscal 2009;
- Gross profit percentage has increased to 25.8% versus 19.2% in the comparable period of fiscal 2009;
- EBITDA of \$1.16 million, representing an increase of \$781 thousand, or 208.8%; and
- Net income of \$431 thousand, compared to a loss of \$79 thousand in the first quarter last year.

The Company has made great strides in aligning itself with the following strategic pillars:

~ Building a strong owner brand portfolio in both the value and premium beer segments

During the first quarter, the re-launch of the Red Baron brand coupled with aggressive marketing support resulted in significant growth, with Red Baron volumes increasing by almost ten times as compared to Q1 2009. The Company's premium Waterloo brands experienced a volume increase of 34%. The Laker Family brands underperformed this quarter, however the Company is focused on marketing and sales initiatives designed to improve Laker volumes.

~ Focusing our investments against the biggest opportunities that drive revenue growth or deliver sustainable cost reduction

Throughout the last half of fiscal 2009, several cost reduction measures were implemented. We are saving money on salaries and wages, packaging materials, as well as warehousing and distribution charges. The Company has invested in a new canning line, which will further reduce costs. We are positioned to deliver the \$2 million of cost savings that was previously announced.

~ Growing in the most profitable channels and geographic markets

The Company has been fully participating in various activities and programming available through The Beer Store such as lobby displays and in-store tastings. New pack-sizes were also launched during the first quarter to add more variety to meet consumer preferences. Increased radio and outdoor advertising, along with the above initiatives, resulted in growth amongst the Company's premium brands. The Company has benefited from the Ontario Craft Brewer's Opportunity Fund and expects to receive further funding in the second or third quarter of fiscal 2010.

~ Optimizing the Company's operating assets

During periods of peak demand, the Company will continue to use its Formosa facility for supplemental brewing. Efficiency gains were achieved at the Waterloo and Kitchener facilities.

LETTER TO THE SHAREHOLDERS

~ Building a high performance, disciplined, winning organization that is fully committed to excellence in execution

Brick has hired talented, professional individuals, at all levels, possessing the knowledge and experience to drive the Company to profitability.

The addition of Russell Tabata as Brick's Chief Technical Officer will provide continued focus and leadership in the following functional areas; brewing, quality, logistics, engineering, packaging, procurement and maintenance.

I share with you my enthusiasm over a great start to fiscal 2010 and look forward to conveying results for the second quarter of 2010.

Cheers!

A handwritten signature in black ink, appearing to read 'GHC', with a stylized flourish extending from the end.

George H. Croft
President & CEO

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis ("MD&A") provides a review of the activities, results of operations and financial condition of Brick Brewing Co. Limited (the "Company") for the three months ended April 30, 2009 ("the first quarter of fiscal 2010") in comparison with the three months ended April 30, 2008 ("the first quarter of fiscal 2009"). These comments should be read in conjunction with the unaudited consolidated financial statements for the first quarters of fiscal 2010 and 2009; with the MD&A in the fiscal 2009 annual report for the year ended January 31, 2009, including the sections on risks and uncertainties (the "Annual MD&A"); and with the accompanying notes to the consolidated financial statements for the first quarter of fiscal 2010 and the year ended January 31, 2009. The consolidated financial statements for the first quarter of fiscal 2010 have not been audited or reviewed by KPMG LLP. The following comments were prepared as of June 8, 2009. Additional information relating to the Company, including its annual information form, is available at www.sedar.com or in the investor relations section of the Company's website at www.brickbeer.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions and include, for example, the statements concerning expected volumes, operating efficiencies and costs. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect the Company's views as of June 8, 2009 with respect to future events. Future events are subject to certain risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including the statements regarding expected volumes, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: volumes in the fiscal year ending January 31, 2010 ("fiscal 2010") will increase, no material changes in consumer preferences, brewing and packaging efficiencies will improve, input costs for brewing materials will decrease, the cost of packaging materials will increase, competitive activity from other brewers will continue, no material change to the regulatory environment in which the Company operates and no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and, for more information regarding the risks, uncertainties and assumptions that could cause the Company's actual financial results to differ from the forward-looking statements, to also refer to the rest of the discussion in this MD&A, the Company's annual information form and various other public filings. The forward-looking statements included in this MD&A are made only as of June 8, 2009 and, except as required by applicable securities laws, the Company does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

** EBITDA is a non-GAAP earnings measure, therefore it does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.*

MANAGEMENT'S DISCUSSION & ANALYSIS

DESCRIPTION OF THE BUSINESS

The Company produces, sells, markets and distributes packaged and draft premium beer under the Waterloo brand name, and value beer under the Laker, Red Cap, Formosa and Red Baron brand name. During the first quarter, the Company imported the Laker brands in cans from High Falls Brewing Co. ("High Falls") of Rochester, New York and the Waterloo brand in cans from Wellington Brewery. The Company also produces, sells, markets and distributes various beer products under the licensed PC® trademark on behalf of Loblaws Inc. which are available in Ontario and Quebec. The Company represents and sells products in Ontario for Canada Dry Mott's, Inc.

The Company's products are sold primarily in Ontario, although certain products are available in Quebec. The Company also engages in certain co-packing business, which involves producing and packaging beer and ready-to-drink alcoholic beverages for other customers.

In Ontario, distribution of packaged beer occurs primarily through The Beer Store ("TBS") and the Liquor Control Board of Ontario ("LCBO"). The Company also distributes draft beer products directly to licensed establishments (bars and restaurants) in Ontario.

The Company's brewing facilities are located in Waterloo and Formosa, Ontario. The Company's primary packaging and warehousing facility is located in Kitchener, Ontario. The Company also has a warehousing facility in St. Bruno, Quebec and a packaging facility in Formosa which is presently dedicated to co-packing. The Company's head and registered office is in Waterloo, Ontario.

MANAGEMENT'S DISCUSSION & ANALYSIS

RESULTS OF CONSOLIDATED OPERATIONS

Results for the three months ended April 30, 2009

in thousands except per share amounts

	Three months ended	
	2009	2008
	<i>[Restated ⁽¹⁾]</i>	
Gross revenue	\$ 15,697	\$ 15,596
Less production taxes and distribution fees	(8,125)	(8,261)
Net revenue	7,572	7,335
Cost of sales	5,619	5,927
Gross profit	1,953	1,408
	25.8%	19.2%
Selling, marketing and administrative expenses	797	1,026
Earnings before the undernoted	1,156	382
Depreciation and amortization	(465)	(392)
Interest and other expense	(42)	(109)
Income (loss) before income taxes	649	(119)
Provision for (recovery of) future income taxes	218	(40)
Net income (loss)	\$ 431	\$ (79)
Net earnings per share:		
Basic	\$ 0.02	\$ (0.00)
Diluted	\$ 0.02	\$ (0.00)
Net Revenue Increase	3.2%	6.7%
Volume Growth (Decline)	-10.2%	12.3%
Consisting of:		
Increase (decrease) in Brick brand volume	3.1%	-6.7%
Increase (decrease) in co-pack volume ⁽²⁾	-34.0%	76.8%
Net volume growth (decline)	-10.2%	12.3%

(1) The above summary has been adjusted to reflect the new accounting policy adopted during the year, as discussed below, under Impact of New Accounting Pronouncements.

(2) Includes beer packaged under the licensed PC® trademark on behalf of Loblaws Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

Reconciliation of Net Earnings to Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) *

(in thousands)

	Three months ended	
	April 30, 2009	April 30, 2008
Net income (loss)	\$ 431	\$ (79)
Add:		
Future income tax expense (recovery)	218	(41)
Amortization	465	392
Interest on long-term debt	42	102
Subtotal	725	453
Less:		
Other interest income	(1)	-
Subtotal	(1)	-
EBITDA *	\$ 1,155	\$ 374

NET REVENUE

Gross revenues for the first quarter of fiscal 2010 were \$15.7 million, an increase of \$0.1 million from the first quarter of fiscal 2009. Gross revenues have remained fairly consistent despite the overall decrease in volumes of 10.2%. A decrease in co-packing revenue was offset by higher revenue from beer sales, which was positively impacted by the new Minimum Retail Price. In the first quarter of fiscal 2010, the Company implemented a number of marketing and selling strategies to maintain the competitiveness of its products including relaunching the Red Baron brand and enhancing brand awareness through lobby displays at The Beer Store, outdoor advertisements, and increased radio exposure.

The Company's Laker Family brands continue to decline with a decrease in volumes of 11.7%. The Company continues to focus on increasing the level of direct advertising support including co-marketing strategies.

The Company's Premium Waterloo brands grew by 34% in the first quarter of fiscal 2010. This increase was a result of strengthening the focus on Waterloo Dark and Waterloo Wheat.

Volumes of co-packaged product are down by 34% in comparison to the same period last year as a result of managing the timing of packaging requirements of these products. Production is anticipated to increase during the second quarter of fiscal 2010.

Net revenues for the first quarter of fiscal 2010 were \$7.6 million as compared to \$7.3 million in the same quarter last year, an increase of \$0.3 million or 4.1%. In addition to the factors discussed above with respect to volumes, the increase in net revenues was enhanced by the reduction in fees paid to LCBO on direct shipments. In the quarter, the Company discontinued direct shipments to LCBO locations and now uses The Beer Store's transportation system to reach these customers. Production taxes were fairly consistent as a percentage of gross revenues. Net revenues are calculated by deducting from gross revenues the costs of distribution fees paid to The Beer Store and the LCBO and production taxes.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Company expects that overall beer volumes will improve compared to the prior year. The Company will continue to direct its focus on brands such as Red Baron, Waterloo Dark and Laker in order to maximize sales volume. At April 30, 2009 the Company's total market share by volume of The Beer Store retail sales in Ontario was approximately 4%.

COST OF SALES

Cost of sales was \$5.6 million for the first quarter compared to \$5.9 million in the first quarter of fiscal 2009. Cost of sales has decreased by 5.1% which is attributable to the reduced cost of packaging materials, reduced natural gas expense, reduced outside storage costs from eliminating the use of certain third party warehouses, decreased cost of materials such as malted barley, and a reduction in wage costs due to the restructuring which occurred in fiscal 2009.

Delivery costs also declined because the Company is now using The Beer Store's transportation system to reach LCBO locations, which is more cost effective than direct delivery by Brick.

In the fourth quarter of fiscal 2009, the Company reviewed the useful life of returnable containers and determined that a useful life of 4 years is appropriate. Previously, the containers were amortized over a period ranging from five to ten years. As such, bottle amortization has increased by approximately \$30 thousand as a result of the revision to the estimates.

The Company will continue to implement changes to maximize profit margins by improving efficiencies in its operations, increasing the selling price on certain products, and obtaining volume growth through focused marketing initiatives.

In the first quarter, the Formosa facility continued to focus on co-packaged products. The Company also used the Formosa facility for supplemental brewing in the first quarter to support the strong performance of the Red Baron brand.

SELLING, MARKETING AND ADMINISTRATION

Selling, marketing and administration expenses for the first quarter decreased \$0.2 million to \$0.8 million from \$1.0 million in the same quarter last year.

On September 20, 2008 the Ontario Government announced a new four-year Ontario Craft Brewers Opportunity Fund ("Opportunity Fund") from which the Company received \$1.0 million in the fourth quarter of fiscal 2009. The Company's gross marketing expenditures were \$221 thousand higher than in the same period last year. After accounting for the Opportunity Fund, Brick's net marketing expense decreased by \$107 thousand compared to the first quarter of fiscal 2009. Management anticipates receiving additional support from the Opportunity Fund in the second or third quarter of the year and has recorded an amount receivable of \$57 thousand. This amount represents expenses incurred prior to April 30, 2009 that are considered "eligible expenditures" by the Government. The Company expects to receive Government funding in excess of the \$57 thousand which will be applied to future marketing initiatives. The Company will continue to maximize the benefits obtained from the marketing funding to better position the Company's brands in the marketplace.

The Company's agreement with Direct Cellars Beverage Co. ("Direct Cellars") ended on January 31, 2009. As such, no commissions were paid to Direct Cellars in the first quarter of fiscal 2010 which resulted in a decrease in selling costs of \$150 thousand.

MANAGEMENT'S DISCUSSION & ANALYSIS

Legal costs increased by \$119 thousand in the quarter in conjunction with the ongoing litigation between the Company and certain of its shareholders, as well as the recent legal matter between the Company and Labatt Brewing Company Limited ("Labatt"). Labatt claims, among other things, infringement of Labatt's Brava beer trademarks, depreciation of the goodwill associated with the Brava trademarks and that beer consumers are confused between Brick's Red Baron beer and Labatt's Brava beer. Labatt is seeking an interim, interlocutory and permanent injunction against the Company as well as damages or an accounting of profits from the Company's sales of Red Baron since adopting its new packaging. Management believes that Labatt's claim and the claim brought on by certain shareholders in the last quarter of fiscal 2009 are without merit. No amounts have been recorded in the financial statements with respect to these claims.

Excluding legal costs, administrative expenses decreased by \$216 thousand in the first quarter as a result of the restructuring which occurred in fiscal 2009.

DEPRECIATION AND AMORTIZATION

In the first quarter, total depreciation and amortization expense was \$465 thousand compared to \$392 thousand incurred in the same period last year. The increase is attributable to increased capital spending.

OTHER INCOME AND EXPENSES

In the first quarter, interest on long term debt was \$42 thousand compared to \$102 thousand for the same period last year. The decrease can be attributed to a reduction in the outstanding loan balance due to principal payments as well as a reduction in the interest rate on the long-term debt from approximately 7% in the first quarter of fiscal 2009 to approximately 5%.

As noted previously, the relationship with Direct Cellars ended on January 31, 2009, and therefore, the Company will no longer recognize income or loss under the equity method in regards to Direct Cellars.

During the first quarter the Company recorded a future income tax provision of \$218 thousand compared to a recovery of \$41 thousand in the same period last year. The income tax provision represents 34% of income before taxes. This differs from the statutory rate of 31% due to permanent timing differences between the basis used for accounting and for tax purposes.

NET INCOME

For the first quarter, net income was \$431 thousand compared to a net loss of \$79 thousand for the same period last year. Basic and diluted earnings per share in the first quarter were \$0.02 and \$0.02 per share respectively, compared with basic and diluted loss of \$0.00 and \$0.00 per share for the same period last year.

MANAGEMENT'S DISCUSSION & ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

The Company has an operating line of credit, three mortgages payable, and one capital equipment lease, which are all in breach of covenant. In each case, the Company is not compliant with the fixed charge ratio that compares an adjusted EBITDA* to interest expense and the current portion of long-term debt. The Company expects to be in compliance with these covenants by January 31, 2010. Continued support from the Company's lenders is required to avoid a decline in the Company's financial condition and liquidity.

Roynat Inc. ("Roynat") provides the mortgages described above, which are collectively referred to as long-term debt. Roynat has waived the fixed charge covenant applicable to long-term debt until February 1, 2010. The Company is also not compliant with the fixed charge ratio applicable to its operating line and capital equipment lease. These amounts are classified as current liabilities.

The Company generated cash flows from operations of \$0.7 million in the quarter. The Company's EBITDA* improved from \$0.4 million in first quarter of fiscal 2009 to \$1.2 million in the same quarter of fiscal 2010.

FINANCIAL POSITION

At April 30, 2009, the Company had bank indebtedness of \$0.2 million. This represents a decrease of \$0.4 million from a cash balance of \$0.2 million at January 31, 2009. This change is due primarily to increased capital spending on various projects including the installation of the new canning line at the Kitchener facility as well as various projects to improve the efficiency of the Company's bottling line.

The Company's working capital position was \$3.3 million at April 30, 2009 compared to \$3.2 million at January 31, 2009.

Current assets were \$10.0 million at April 30, 2009 compared to \$8.6 million at January 31, 2009, an increase of \$1.4 million. During the period, accounts receivable increased by \$0.9 million and is attributable to the timing of receipt of payments from The Beer Store. Inventory increased by \$0.6 million.

Property, plant and equipment increased by \$0.3 million at April 30, 2009 compared to January 31, 2009. The increase is due to capital expenditures in excess of depreciation in the period. Capital expenditures for fiscal 2010 are anticipated to be approximately \$2.2 million in total and are primarily targeted to efficiency improvements in the Kitchener facility as well as the installation of the new canning line.

Future income taxes have decreased by \$218 thousand at April 30, 2009 compared to January 31, 2009. The decrease is due to the application of losses carried forward from previous years to reduce the current taxes payable on the net income generated in the quarter.

The Company continues to recognize a valuation allowance of \$3.0 million against the future income tax asset. This valuation allowance was estimated by comparing the amount of losses available for carry-forward to the expected income forecasted for the next five years, weighted based on the probability of achieving the forecasted figures.

MANAGEMENT'S DISCUSSION & ANALYSIS

The current liabilities were \$6.7 million at April 30, 2009 compared to \$5.5 million at January 31, 2009. This increase is due primarily to an increase in production taxes as a result of increased volume since the last quarter of fiscal 2009.

Long-term debt and obligations under capital leases have decreased by a total of \$0.1 million at April 30, 2009 compared to January 31, 2009. These decreases are due to repayment of long term debt and capital lease obligations during the period.

The deferred grant income decreased by \$0.3 million due to the Company utilizing the remaining funds from the Opportunity Fund of \$1.0 million received in the latter part of fiscal 2009. As noted previously, expenditures incurred in the first quarter, which were in excess of the funding received to date, have been recorded as a receivable on the consolidated balance sheet.

As at April 30, 2009 the Company had 28,067,010 common shares outstanding and 1,050,000 stock options outstanding and exercisable for the same number of common shares. The Company also has 5,729,165 common share purchase warrants outstanding on April 30, 2009.

CASH FLOW

The Company generated \$0.7 million in cash from operating activities in the first quarter compared to \$0.8 million in the first quarter last year. The primary cause for this differential of \$0.1 million is the timing of cash receipts from The Beer Store, after giving consideration to the increase in net earnings.

Financing activities generated \$0.1 million in cash during the first quarter compared to using \$0.7 million during the same quarter last year. This is a difference of \$0.8 million driven by increased bank indebtedness requirements in the first quarter of fiscal 2009.

Investing activities generated a net cash outflow of \$1.0 million in the first quarter compared to \$0.1 million last year, an increase of \$0.9 million. The increase in cash outflow is due to the large capital projects in progress during the quarter as well as payments for listing fees paid to TBS when a new product Stock Keeping Unit ("SKU") is created for a particular product. During the first quarter, the Company relaunched the Red Baron brand in a 24-pack as well as offering Laker Lager and Laker Light in 18-packs and Waterloo Dark and Waterloo Wheat in 12-pack bottles. These new listings required fees of approximately \$0.2 million to be paid to The Beer Store.

The Company had bank indebtedness of \$0.2 million at April 30, 2009 compared to a cash balance of \$0.2 million at January 31, 2009. The Company has an authorized operating line of credit of \$4.5 million at prime plus 0.25%. The Company anticipates that the operating line will be sufficient to fund current operating activities and cash requirements throughout the year. In addition to the operating line of credit, the Company has term loan facilities and an obligation under a capital lease outstanding.

MANAGEMENT'S DISCUSSION & ANALYSIS

COMMITMENTS

The Company is committed to future payments for long-term debt, capital and operating leases, and other purchases, as at April 30, 2009, as follows:

	Long-term debt	Capital lease	Operating leases	Other purchase commitments	Total
Q2 - Q4 2010	870,150	116,428	1,152,575	2,514,995	4,654,148
2011	816,100	155,238	1,367,142	551,417	2,889,897
2012	501,800	138,373	1,039,112	297,756	1,977,041
2013	300,000	-	912,376	100,466	1,312,842
2014	450,000	-	891,230	-	1,341,230
2015 and thereafter	-	-	1,406,907	-	1,406,907
	<u>2,938,050</u>	<u>410,039</u>	<u>6,769,342</u>	<u>3,464,634</u>	<u>13,582,065</u>

RISK FACTORS, STRATEGIES AND OUTLOOK

The Company continues to face downward pressure on overall beer volumes. The Company continues to focus on building a strong owner-brand portfolio with a focus on the Laker Family, Red Baron and Waterloo brands. The Company is subject to various operational risks and uncertainties, which are described in its Annual Information Form for the year ended January 31, 2009 filed on SEDAR and is available at www.sedar.com.

The second quarter encompasses the summer season which is historically a strong sales period. The Company will continue to invest in marketing opportunities to create brand awareness and leverage the funds received from the Opportunity Fund. The co-packaging business in the second quarter is anticipated to improve with the increase in co-packaging requirements.

The Company will continue its focus on reducing fixed and variable costs through achieving efficiencies in production and packaging.

The Company will continue to focus on fiscal controls and targeted capital expenditures. The Company will continue to review, and where feasible reduce, distribution costs and administration and operating overheads to ensure both the capabilities and costs of these functions meet the strategies of the Company.

On May 5, 2009 the Company announced the appointment of Russell Tabata as Chief Technical Officer.

Subsequent to the first quarter of fiscal 2010, the Company commenced legal proceedings in the Ontario Superior Court of Justice against its founder and former Executive Chairman, Mr. Jim Brickman. It was recently discovered that Mr. Brickman committed wrongs against the Company for several years and caused the Corporation significant damages.

With respect to the lawsuits referred to under Selling, Marketing and Administration, the Company currently has no further information to provide beyond the previously issued press releases regarding these matters.

MANAGEMENT'S DISCUSSION & ANALYSIS

SUMMARY OF QUARTERLY RESULTS ⁽²⁾

\$(000's)	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net Revenue	7,571	6,582	7,295	8,675	7,335	6,271	7,542	9,625
Selling, general & administration	797	1,319	888	1,274	1,026	1,454	1,394	1,670
EBITDA*	1,155	(1,134)	(423)	454	374	(117)	(674)	942
Net Income (Loss)	431	(6,670)	(656)	21	(87)	(1,101)	(841)	300
EPS (Basic)	\$ 0.02	\$ (0.24)	\$ (0.03)	\$ -	\$ -	\$ (0.05)	\$ (0.04)	\$ 0.01
EPS (Diluted)	\$ 0.02	\$ (0.24)	\$ (0.03)	\$ -	\$ -	\$ (0.05)	\$ (0.04)	\$ 0.01

(2) The above summary has been adjusted to reflect the new accounting policy adopted during the year, as discussed below.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's accounting policies are discussed in detail in note 1 to the Company's fiscal 2009 audited consolidated financial statements.

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 replaced Section 3062 "Goodwill and Other Intangible Assets". This section established standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets including internally generated intangible assets. Upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill, and disclosure, the new section carries forward the requirements of its predecessor. This new section was effective for the Company beginning February 1, 2009. As a result of adopting this section, the Company has adjusted the opening retained earnings in the comparative consolidated financial statements by \$182,080 (net of tax) to write off pre-production costs that are no longer permitted to be deferred. Deferred costs and future income taxes, as at January 31, 2009, were reduced by \$261,153 and \$79,073 respectively. Amortization expense presented in the consolidated income statement for the first quarter of fiscal 2009 has been adjusted by \$29 thousand.

MANAGEMENT'S DISCUSSION & ANALYSIS

FUTURE ACCOUNTING CHANGES

On March 11, 2008, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. The Company will be required to report its results in accordance with IFRS beginning on February 1, 2011 (fiscal 2012).

Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company has hired professional staff to assist in the development and execution of a changeover plan to complete the transition to IFRS by February 1, 2011, including the preparation of required comparative information.

The key elements of the Company's changeover plan will include:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements;
- communicate significant impacts to internal business groups; and
- educate and train internal and external stakeholders.

The Company is currently analyzing accounting policy alternatives and identifying implementation options for the corresponding process changes. The Company will update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board. As IFRS is expected to change prior to 2011, the impact of IFRS on the Company's consolidated financial statements is not reasonably determinable at this time.

RELATED PARTY TRANSACTIONS

The Company's vendor, Laidlaw Carriers Van LP, is subject to significant influence by one of the Company's directors. This vendor provided distribution services to the Company during the quarter aggregating to \$70 thousand. This vendor was not utilized in fiscal 2009. As at April 30, 2009, the Company owed this vendor \$18 thousand.

The amounts paid to Laidlaw Carriers Van LP are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), which requires management to make estimates, judgments, and assumptions that it believes are reasonable, based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions, which it believes to be reasonable

MANAGEMENT'S DISCUSSION & ANALYSIS

under the circumstances. Management also evaluates its estimates on an ongoing basis. Actual results could differ from those estimates.

Returnable Containers

Returnable containers are recorded as inventory, at cost. Returnable containers are recorded at cost net of deposit liabilities and are amortized over their estimated useful lives. To estimate the useful life, management takes into account return rates and number of uses. The Company estimates useful lives using historical trends and internal studies. There is uncertainty in these estimates in that actual experience may vary from these estimates. The Company is not aware of any facts that would cause it to believe that the estimates used are materially incorrect.

Intangible Assets and Goodwill

Indefinite life intangible assets consist of brands and listing fees. These assets are recorded at cost and are not amortized but instead are tested for impairment annually or when indicated by events or changes in circumstances, by comparing the fair value of the assets to their carrying value. Impairment tests involve using discounted cash flows to value the assets. There is uncertainty in these estimates as the related cash flows are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from the estimates. Should future cash flows differ from management's estimates, an impairment of these assets and a related write-down may result. When a product is delisted, the Company removes the related listing fee from the balance of trademarks and listing fees. The Company believes that these estimates are materially correct.

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no events or circumstances within the quarter to indicate a possible impairment. The Company believes that these estimates are materially correct.

Future income tax asset

The Company has recorded an income tax asset. In compliance with the "more likely than not test" required by the CICA Handbook section 3465 "Income Taxes" for these assets to be recorded, the Company has provided a valuation allowance of \$3.0 million against the asset for losses carried forward to a future year. In estimating the valuation allowance, management compared the amount of losses available for carry-forward to the expected income forecasted for the next five years, weighted based on the probability of achieving the forecasted figures.

Stock based compensation

The Company recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the option plan. Assumptions regarding expected stock volatility and risk free interest rates are required to calculate the fair value of the consideration received.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer (collectively, the "Officers") are responsible for establishing and maintaining disclosure controls and procedures as defined under Multilateral Instrument 52-109 for the Company. Management has designed such disclosure controls and procedures, or caused

MANAGEMENT'S DISCUSSION & ANALYSIS

them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to management by others within the Company.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended April 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

** EBITDA is a non-GAAP earnings measure, therefore it does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.*

Brick Brewing Co. Limited
Consolidated Balance Sheet
(unaudited)

	April 30, 2009	January 31, 2009
		<i>[Restated - note 2]</i>
Assets		
Current assets:		
Cash	\$ -	\$ 209,291
Accounts receivable	3,036,024	2,096,781
Inventories	5,916,918	5,309,474
Prepaid expenses	481,497	507,518
Future income taxes <i>[note 2]</i>	522,338	522,338
	9,956,777	8,645,402
Property, plant and equipment	13,799,265	13,522,720
Trademarks and listing fees	5,677,006	5,401,314
Deferred costs <i>[note 2]</i>	98,328	108,067
Other assets	42,500	50,000
Future income taxes <i>[note 2]</i>	407,743	626,103
	29,981,619	28,353,606
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 176,841	\$ -
Accounts payable and accrued liabilities <i>[note 5]</i>	5,195,263	3,846,187
Current portion of long-term debt	928,500	924,000
Current portion of obligations under capital lease	386,633	419,282
Deferred grants	-	270,758
	6,687,237	5,460,227
Long-term debt	2,009,550	2,067,900
Shareholders' equity:		
Share capital <i>[note 3]</i>	34,661,184	34,657,984
Contributed surplus	698,387	673,593
Deficit <i>[note 2]</i>	(14,074,739)	(14,506,098)
	21,284,832	20,825,479
Commitments		
	\$ 29,981,619	\$ 28,353,606

Brick Brewing Co. Limited
Consolidated Statement of Income (Loss) and Deficit
(unaudited)

Three Months Ended

	April 30, 2009	April 30, 2008
		<i>[Restated - note 2]</i>
Gross revenue	\$ 15,697,444	\$ 15,595,840
Less production taxes and distribution fees	(8,125,677)	(8,261,023)
Net revenue	7,571,767	7,334,817
Cost of sales <i>[note 5]</i>	5,619,236	5,926,824
Gross profit	1,952,531	1,407,993
Selling, marketing and administration	797,091	1,025,917
Earnings before the undernoted	1,155,440	382,076
Other expense:		
Depreciation and amortization <i>[note 2]</i>	(464,987)	(392,368)
Interest on long-term debt	(41,855)	(102,175)
Other income (expense)	1,121	(1,918)
Equity loss of long-term investment	-	(4,768)
	(505,721)	(501,229)
Income (loss) before income taxes	649,719	(119,153)
Future income tax expense (recovery)	218,360	(40,627)
Net income (loss) and comprehensive income (loss)	431,359	(78,526)
Deficit, beginning of period	(14,506,098)	(6,852,240)
Cumulative effect of adopting new accounting policies, net of tax <i>[note 2]</i>	-	(261,589)
Deficit, beginning of period restated	(14,506,098)	(7,113,829)
Deficit, end of period	(14,074,739)	(7,192,355)
Net income (loss) per share:		
Basic	0.02	(0.00)
Diluted	0.02	(0.00)

Brick Brewing Co. Limited
Consolidated Statement of Cash Flows
(unaudited)

Three Months Ended

	April 30, 2009	April 30, 2008
		<i>[Restated - note 2]</i>
Cash provided by (used in):		
Operations:		
Income (loss) for the period	431,359	(78,526)
Items not involving cash:		
Amortization of property, plant and equipment, deferred costs and other assets	472,487	397,817
Stock based compensation	24,794	15,281
Equity loss on long-term investment	-	4,767
Future income tax provision (recovery)	218,360	(31,776)
Change in non-cash operating working capital	(442,348)	469,302
	704,652	776,865
Financing:		
Increase (decrease) in bank indebtedness	176,841	(864,223)
Repayment of long-term debt	(53,850)	(49,650)
Repayment of obligation under capital lease	(32,649)	(43,876)
Issue of capital stock (net of fees)	3,200	9,730
Stock options exercised	-	252,000
	93,542	(696,019)
Investing:		
Purchase of property, plant and equipment, listing fees and deferred assets	(1,007,485)	(80,846)
	(1,007,485)	(80,846)
Net decrease in cash	(209,291)	-
Cash, beginning of period	209,291	-
Cash, end of period	-	-

Notes To The Consolidated Financial Statements

(unaudited)

For the first quarters ended April 30, 2009 and 2008

These unaudited interim consolidated financial statements for the first quarter ending April 30, 2009 have not been audited or reviewed by the Company's external auditor.

1. Description of business

The Company operates three facilities serving primarily the Ontario market. The Company's primary business is the brewing and marketing of bottled beer as well as draught beer in kegs. The Company's products are marketed through the facilities of The Beer Store, the Liquor Control Board of Ontario, and to licensed establishments.

The Company experiences seasonal variations in sales and earnings with sales and earnings typically being highest in the second and third quarters and lowest in the first and fourth quarters of the fiscal year.

2. Changes in accounting policies

The disclosures contained in the unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended January 31, 2009. They follow the same accounting policies except as noted below.

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 replaced Section 3062 "Goodwill and Other Intangible Assets". This section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets including internally generated intangible assets. Upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill, and disclosure, the new section carries forward the requirements of its predecessor. This new section was effective for the Company beginning February 1, 2009. As a result of adopting this section, the Company adjusted the opening retained earnings in the comparative consolidated financial statements by \$182,080 (net of tax) to write off pre-production costs that are no longer permitted to be deferred.

3. Outstanding shares

As at April 30, 2009, the Company had 28,067,010 common shares and 5,729,165 common share purchase warrants outstanding. At April 30, 2009 there were 1,050,000 options to acquire common shares under the Company's stock option plan with various expiry dates.

Notes To The Consolidated Financial Statements

(unaudited)

4. Segment information

Management has determined that the Company operates in a single industry segment which involves the production and sale of beer and other alcohol based products. A significant portion of the Company's operations, assets, sales and employees are in Ontario.

5. Related party transactions

The Company's vendor, Laidlaw Carriers Van LP, is subject to significant influence by one of the Company's directors. This vendor provided distribution services to the Company during the quarter aggregating to \$70 thousand. This vendor was not utilized in fiscal 2009. As at April 30, 2009, the Company owed this vendor \$18 thousand.

The amounts paid to Laidlaw Carriers Van LP are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

6. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

Corporate Information

BRICK BRANDS

Waterloo Dark
Waterloo Wheat
Red Baron
Formosa Springs Draft
Formosa Springs Draft Light
Red Cap Ale

LAKER

Laker Lager
Laker Light
Laker Red 5.5
Laker Honey
Laker Ale
Laker Strong 6.5
Laker Ice

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