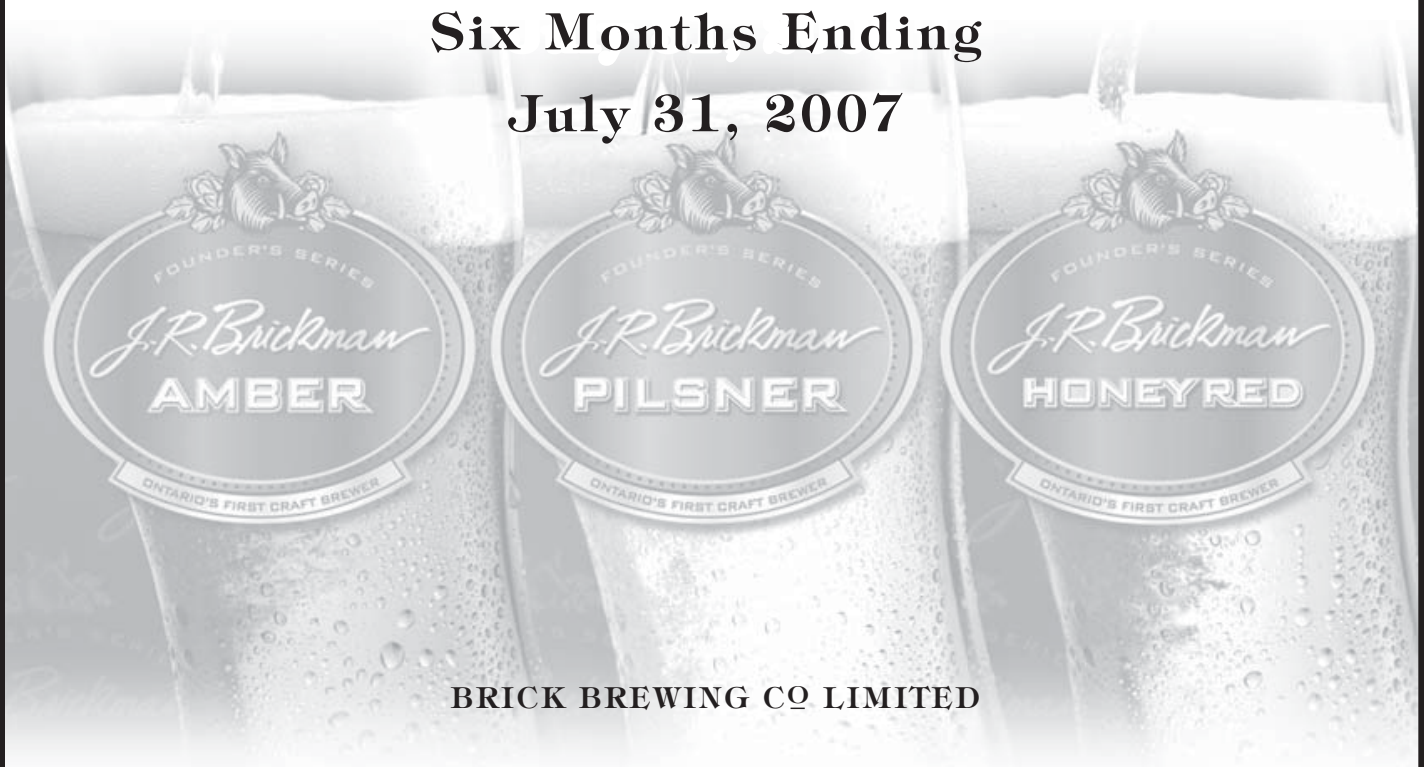




2ND QUARTER REPORT

Six Months Ending
July 31, 2007



BRICK BREWING CO LIMITED

LETTER TO THE SHAREHOLDERS

Dear Shareholder:

As anticipated fiscal 2008 continues to be challenging. The results of the second quarter of fiscal 2008 for Brick Brewing Co. Limited produced earnings of \$283 thousand compared with a profit of \$962 thousand in the fiscal 2007 second quarter. This reduced profitability was the result of significant incremental production taxes, higher variable costs associated with commodity input cost inflation and reduced volumes when compared to last year.

Net revenue in the second quarter decreased to \$9.6 million compared to \$11.2 million in the second quarter last year - a decrease of 15%. The decrease in net revenue, despite a 3.6% increase in the Company's per unit selling price, was largely attributable to a \$947 thousand increase in production taxes and a 11% decline in total beer volumes. Volumes sold at The Beer Store (TBS), the industry's dominant distribution organization, declined 12% while volumes sold to LCBO outlets increased 16%.

The contradictory sales patterns for our brands at the LCBO stores compared to TBS stores are highly informative. Our brands are outpacing the market at the provincially-owned LCBO stores. However, at TBS stores, which are owned by the national brewers, our sales are lagging. Clearly, in our view, the recent changes in the retail and marketing policies implemented at the TBS stores are having an adverse effect. To date, the Company has been unable to persuade TBS or the Ontario government that these new policies unfairly disadvantage Ontario small brewers.

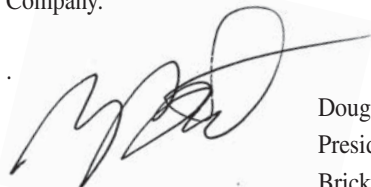
The new Kitchener facility continues to be the cornerstone of our manufacturing strategy and with all beer packaging now transitioned to Kitchener, the new facility delivered improved productivity and savings in the quarter. The packaging costs were reduced by 12%, a savings of \$257 thousand over last year. We anticipate that we will progressively improve productivity at this facility in future quarters.

During the quarter, the Company executed an important agreement with Cadbury Beverages Canada Inc. to manufacture and package the Motts Caesar alcohol-based beverages. This agreement, a validation of our co-pack strategy designed to diversify our revenues, will provide significant additional volume to our existing production infrastructure and is expected to deliver materially increased EBITDA to the Company in the next fiscal year. Effective July 1, 2007, the Company also began sales representation for Motts Caesar in Ontario.

We believe that in order to remain competitive when beer sales growth lags, we must not only diversify our revenue sources, but also aggressively focus on reducing costs. During the quarter, management implemented a series of selling, marketing and administrative cost reductions. In the quarter these expenses decreased by 33% over the second quarter last year. These steps were deemed necessary to provide the appropriate overheads necessary to sustain near term profitability in these challenging business conditions. We will continue to assess overhead costs as required to ensure that they are appropriate to revenues.

Looking further out, we are seeking an improvement in revenues at TBS outlets, as we develop and implement marketing and selling strategies designed to ensure that our market share in those outlets fully reflects the demonstrated consumer acceptance of our brands.

I would like to thank our management team and employees for their hard work and dedication during this extremely challenging time for your Company.



Doug Berchtold
President and CEO
Brick Brewing Co. Limited
September 11, 2007



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 July 31, 2007 ("the second quarter of fiscal 2008") and the six months ended July 31, 2007 in comparison with the three months ended July 31, 2006 ("the second quarter of fiscal 2007") and the six months ended July 31, 2006. These comments should be read in conjunction with the financial statements for the second quarters of fiscal 2008 and 2007; with the MD&A in the annual report for the year ended January 31, 2007 ("fiscal 2007"), including the section on risks and uncertainties; and with the accompanying notes to the financial statements for the second quarter of fiscal 2008 and the year ended January 31, 2007. The financial statements for the second quarter of fiscal 2008 have not been audited or reviewed by the external auditors of the Company, KPMG LLP. The following comments were prepared as of September 11, 2007. 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 statements concerning expected volumes, EBITDA* and costs. Undue reliance should not be placed on these forward-looking statements which are not guarantees, and reflect the Company's views as of September 11, 2007 with respect to future events and are subject to various risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The statements regarding expected volumes, EBITDA* and costs are based on, among others, the following material factors and assumptions: revenues in the current fiscal year ending January 31, 2008 ("fiscal 2008") will decrease, no material changes in consumer preferences, operating efficiencies at the new packaging and warehousing facility in Kitchener, Ontario will continue to be realized, 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. The Company disclaims any intention or obligation to update or revise any forward-looking statements as a result of 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.*

DESCRIPTION OF THE BUSINESS

The Company produces, sells, markets and distributes bottled and draft premium beer under the JR Brickman and Waterloo brand names, mainstream beer under the Red Cap, Formosa and Red Baron brand names and value beer under the Laker brand name. As well, the Company imports the Laker brands in cans from High Falls Brewing Co. ("High Falls") of Rochester, New York. The Company also produces, sells, markets and distributes various beer products under the licensed PC® trademark on behalf of Loblaw's Inc. which are available in Ontario and Quebec. The Company also represents and sells products in Ontario for Big Rock Brewery ("Big Rock") of Calgary, Alberta and High Falls and Cadbury Beverages Canada Inc. ("Cadbury Schweppes").

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

In Ontario, distribution of bottled 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 office is in Waterloo.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

RESULTS OF OPERATIONS

Results for the three months ended July 31, 2007

<i>in thousands except per share amounts</i>	Three months ended		Six months ended	
	2007	2006	2007	2006
	Gross Revenue	\$ 22,009	\$ 23,615	\$ 37,644
Less: Production taxes and distribution fees	(12,384)	(12,299)	(21,148)	(20,739)
Net revenue	9,625	11,316	16,496	18,597
Cost of goods sold	7,013	6,846	12,963	11,891
Gross margin	2,612 27.1%	4,470 39.5%	3,533 21.4%	6,706 36.1%
Selling marketing and administrative expenses	1,670	2,558	3,362	4,164
Earnings before the undernoted	942	1,912	171	2,542
Depreciation and amortization	(442)	(368)	(892)	(720)
Interest and other income/(expense)	(53)	(87)	(176)	(174)
Earnings before provision for income taxes	447	1,458	(897)	1,648
Provision for future income taxes	164	496	(283)	561
Net earnings	\$ 283	\$ 962	\$ (615)	\$ 1,087
Net earnings per share:				
Basic	\$ 0.01	\$ 0.05	\$ (0.03)	\$ 0.06
Diluted	\$ 0.01	\$ 0.05	\$ (0.03)	\$ 0.06
Net Revenue Growth/ (Decrease)	-14.9%	38.9%	-11.3%	25.8%
Volume Growth/ (Decrease)	-11.0%	35.1%	-8.9%	30.0%

Reconciliation of Net Earnings to Earnings Before Interest Taxes

Depreciation and Amortization (EBITDA) *

(in thousands)

	Three months ended		Six months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Net Earnings/(Loss)	\$ 283	\$ 962	\$ (615)	\$ 1,087
Add:				
Future income tax expense (recovery)	164	496	(283)	561
Amortization	442	368	892	720
Interest on long-term debt	110	115	211	186
Equity loss and long-term investment				19
Subtotal	716	979	821	1,486
Less:				
Other interest income	(13)	(22)	(23)	(31)
Gain on disposal of fixed assets			-	-
Equity earnings on long-term investment	(44)	(7)	(12)	(12)
Subtotal	(57)	(29)	(35)	(31)
EBITDA *	\$ 942	\$ 1,912	\$ 171	\$ 2,542

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

NET REVENUE

Gross revenues for the second quarter of fiscal 2008 were \$22.0 million as compared to \$23.6 million in the second quarter of fiscal 2007, a decrease of 6.8%. Gross revenues for the second quarter include revenues of \$300 thousand from co-pack activities, an increase from \$83 thousand in the second quarter of fiscal 2007. In the second quarter of this year the Company's per unit selling price for beer increased 3.6% over the same period last year. Net revenues for the second quarter of fiscal 2008 were \$9.6 million as compared to \$11.3 million in the second quarter of fiscal 2007, a decrease of 14.9%. Net revenues are calculated by deducting from gross sales revenues the costs of distribution fees paid to TBS and the LCBO and production taxes.

In the second quarter the Company's marginal production tax rate increased by 11% or \$947 thousand in aggregate additional taxes compared to the same quarter last year. These increased per unit production taxes are due to the Company no longer benefiting from the Ontario small brewer tax reduction in fiscal 2008. The Ontario small brewer tax reduction reduced provincial taxes payable by the Company by a total of \$2.6 million in fiscal 2007.

In the second quarter the Company's per unit distribution fees increased by 7% or \$267 thousand in the aggregate compared to the same quarter last year. These increased distribution fees are a result of increased demand for the Company's products in the LCBO channel in the second quarter this year compared to the same period last year and the fact that unit distribution costs in the LCBO channel are higher. The Company also incurred higher distribution costs in the second quarter this year compared to last year due to direct distribution activities in Quebec that were not incurred in the same quarter last year.

In the quarter, the Company's overall beer volumes decreased by 11% over the same period last year. Management believes that this decrease is in large part attributable to recent changes implemented in the retail and marketing policies at TBS. To date, the Company has been unable to persuade TBS or the Ontario government that such new policies unfairly disadvantage Ontario small brewers.

While volumes for the Company's products decreased by 12% at TBS in the second quarter compared to the same period last year, volumes for the Company's products at the LCBO increased by 16% in the second quarter compared to the same period last year.

The Company's volumes of its mainstream and licensed brands decreased by 15% during the second quarter, due largely to less promotional activity in the second quarter compared to the same period last year. The Company's Laker brand volumes decreased by 10% in the second quarter compared to the second quarter last year due, management believes, in large part to the recent changes implemented in the retail and marketing policies at TBS. Volumes of Laker cans accounted for approximately 15% of Laker volumes in the second quarter compared to 13% of Laker volumes for the same period last year. During the second quarter, the Company's premium brand volumes declined by 2% compared to the second quarter last year, due to limited promotional support and, management believes, the recent changes to TBS retailing and marketing policies. The Company is continuing to evaluate and implement all available steps to seek to maintain the competitiveness of its products at retail. At July 31, 2007 the Company's total market share by volume of TBS retail sales in Ontario was approximately 4%.

Year to date comparison

Gross revenues have decreased by 4.3% for the first six months of fiscal 2008 to \$37.6 million as compared to \$39.3 million in the first six months of fiscal 2007. Gross revenues for the first six months of fiscal 2008 include revenues of \$427 thousand from co-pack activities, an increase from \$192 thousand in the first six months of fiscal 2007. In the first six months of this year the Company's per unit selling price for beer increased 3.4% over the same period last year. Net revenues for the first six months of fiscal 2008 were \$16.5 million as compared to \$18.6 million in the first six months of fiscal 2007, a decrease of 11.3%.

In the first six months of fiscal 2008 the Company's marginal production tax rate increased by 13.7% or \$1.7 million in aggregate additional taxes compared to the same period last year. These increased per unit production taxes are due to the Company no longer benefiting from the Ontario small brewer tax reduction in fiscal 2008. The Ontario small brewer tax reduction reduced provincial taxes payable by the Company by a total of \$2.6 million in fiscal 2007.

In the first six months of fiscal 2008 the Company's per unit distribution fees increased by 8% or \$513 thousand in the aggregate compared to the same period last year. These increased distribution fees are a result of increased demand for the Company's products in the LCBO channel in the first six months of fiscal 2008 compared to the same period last year and the fact that unit distribution costs in the LCBO channel are higher. The Company also incurred higher distribution costs in the first six months of fiscal 2008 compared to last year, due to costs for direct distribution activities in Quebec that were not incurred in the same period last year.

In the first six months of fiscal 2008 the Company's overall beer volumes decreased by 9% over the same period last year. Management believes that this decrease is in large part attributable to recent changes implemented in the retail and marketing policies at TBS.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

The Company's volumes of its mainstream and licensed brands decreased by 13% during the first six months of fiscal 2008, due largely to less promotional activity in the first six months this year compared to the same period last year. The Company's Laker brand volumes decreased by 9% in the first six months this year compared to last year due, management believes, to the recent changes implemented in the retail and marketing policies at TBS. Volumes of Laker cans accounted for approximately 19% of Laker volumes in the first six months this year compared to 14% of Laker volumes for the same period last year. During the first six months, the Company's premium brand volumes declined by 3% over the same period last year, due to limited promotional support and, management believes, the recent changes to TBS retailing and marketing policies.

The Company expects net revenues to decrease through the remainder of fiscal 2008, compared to the comparable periods last year.

COST OF GOODS SOLD

Quarterly comparison

Cost of goods sold was \$7.0 million for the second quarter, up from \$6.8 million in the second quarter last year. The per unit cost of producing and distributing beer increased by 13% or \$919 thousand in the aggregate in the quarter compared to the same quarter last year.

Higher cost of goods sold in the second quarter reflects higher material and other input costs of \$549 thousand in the aggregate, compared to the second quarter last year. These higher costs were primarily for aluminum cans, brewing and packaging materials and glass bottles. The Company is taking efficiency measures to offset these increased costs by having consolidated packaging activities into the Kitchener facility, increasing the selling price on certain products and re-sourcing certain inputs. In addition, in the previous fiscal year there was a one time \$403 thousand benefit recorded in cost of goods sold, which related to the amortization of preproduction costs for the Kitchener facility via lower finished goods inventory. This reduction in inventory cost is not applicable to the second quarter of fiscal 2008, as the Company has completed the commissioning of the Kitchener packaging line.

The Company had increased plant overhead costs of \$27 thousand in the second quarter compared to the same period last year. It is anticipated that these plant overheads will be reduced, as compared with fiscal 2007, as the packaging transition to Kitchener has now been completed.

The Company's warehousing costs increased by \$9 thousand in the second quarter compared to the same period last year. The increased costs reflect additional costs for expanded direct delivery and customer service functions in Ontario and Quebec.

The Company's delivery costs increased by \$129 thousand in the second quarter compared to the same quarter last year. The increased delivery costs are due to increased costs for assembling and picking orders as the Company continued to expand its direct delivery to the LCBO and TBS channels. These increased costs are incurred to reduce transfer fees and improve availability of the Company's products in the LCBO and TBS channels.

In the second quarter the per unit manufacturing labour and overhead costs at the new Kitchener packaging facility were reduced by 19% from the first quarter of this year. These costs were also 12% less than the second quarter of last year. The aggregate impact of these reduced manufacturing costs in the second quarter was a benefit of \$257 thousand compared to the same quarter last year. These improvements in manufacturing costs relate directly to the improved efficiencies of the Kitchener packaging facility. Manufacturing labour and overheads are expected to continue to be progressively reduced as the facility continues to gain improved efficiencies during the year. When this facility reaches targeted productivity levels, it is anticipated that it will contribute to a further reduction in the Company's variable manufacturing costs.

SELLING, MARKETING AND ADMINISTRATION

Quarterly comparison

Selling, marketing and administration expenses for the second quarter decreased by 33%, or \$888 thousand in the aggregate, to \$1.7 million from \$2.6 million in the same period last year. As a percentage of net sales, selling, marketing and administration expenses were 17.3% for the second quarter this year, compared to 22.8% for the second quarter last year.

Year to date comparison

Selling, marketing and administration expenses for the first six months ended July 31, 2007 decreased 19%, or \$802 thousand in the aggregate, to \$3.4 million from \$4.2 million in the first six months of last year. As a percentage of net sales, selling, marketing and administration expenses were 20.4% for the first six months this year compared to 22.4% for the same period last year.

During the second quarter the Company implemented a series of targeted cost reductions to seek to reduce selling, marketing and administration expenses for the balance of fiscal 2008.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

DEPRECIATION AND AMORTIZATION

Quarterly comparison

For the second quarter ended July 31, 2007, total depreciation and amortization expense was \$442 thousand compared to \$368 thousand in the same period last year. This increase is due to increased investment in equipment at the Kitchener packaging facility.

Year to date comparison

For the first six months ended July 31, 2007, total depreciation and amortization expense was \$892 thousand compared to \$720 thousand in the same period last year.

OTHER INCOME AND EXPENSES

Quarterly comparison

In the second quarter, interest on long term debt was \$110 thousand, compared to \$115 thousand in the same period last year. The decrease can be attributed to a decrease in the Company's long term debt and obligations under capital leases outstanding, as compared to the second quarter last year.

In the second quarter, the Company recorded \$44 thousand in equity earnings from the investment in Direct Cellars Beverage Co. ("Direct Cellars") compared to earnings of \$7 thousand in the same period last year.

During the second quarter the Company recorded \$13 thousand in other income from investments, compared to \$22 thousand in the same period last year.

During the second quarter the Company recorded a future income tax expense of \$164 thousand, compared to an expense of \$496 thousand in the same period last year.

Year to date comparison

In the first six months of fiscal 2008, interest on long term debt was \$211 thousand, compared to \$186 thousand in the same period last year. The increase can be attributed to an increase in interest rates for the Company's long term debt and obligations under capital leases outstanding, as compared to the first six months last year.

In the first six months of fiscal 2008, the Company recorded \$12 thousand in equity earnings from the investment in Direct Cellars compared to a loss of \$19 thousand in the first six months last year.

During the first six months the Company recorded \$23 thousand in other income from investments, compared to \$31 thousand in the same period last year.

During the first six months the Company recorded a future income tax recovery of \$283 thousand compared to an expense of \$561 thousand in the same period last year.

NET EARNINGS

Quarterly comparison

For the second quarter ended July 31, 2007, net earnings were \$283 thousand compared to net earnings of \$962 thousand for the second quarter last year. The basic and diluted earnings per share for the second quarter were \$0.01 and \$0.01 per share respectively, compared with basic and diluted earnings per share of \$0.05 and \$0.05 for the same period last year.

Year to date comparison

For the six months ended July 31, 2007, net loss was \$615 thousand compared to net earnings of \$1.1 million for the same period last year. The basic and diluted loss per share for the six months ended July 31, 2007 was \$0.03 and \$0.03 per share respectively, compared with basic and diluted earnings per share of \$0.06 and \$0.06 for the same period last year.

As at July 31, 2007, the Company had 21,837,995 common shares outstanding and 990,000 stock options outstanding and exercisable for the same number of common shares.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

At July 31, 2007, the Company had bank indebtedness of \$1.1 million. This represents a reduction in net cash of \$1.2 million from \$54 thousand at January 31, 2007. This net cash reduction is consistent with the seasonal trends in the Company's business.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

The Company's working capital position was \$5.4 million at July 31, 2007 compared to \$6.6 million at January 31, 2007. At July 31, 2006 the Company's working capital position was \$4.5 million.

Current assets were \$13.4 million at July 31, 2007 compared to \$11.6 million at January 31, 2007, an increase of \$1.8 million during the first six months of fiscal 2008. Accounts receivable increased by \$812 thousand due primarily to increased seasonal volumes at July 31, 2007 compared to January 31, 2007, and an increase in the proportion of sales to the LCBO, which provides significantly longer payment terms. The Company's inventories have increased by \$305 thousand in the first six months of fiscal 2008. Finished goods have decreased by \$344 thousand and raw materials have increased by \$649 thousand in the first six months. Prepaid expenses increased by \$779 thousand in the first six months primarily due to increased prepaid insurance and distribution fees.

Property, plant and equipment decreased by \$113 thousand at July 31, 2007 compared to January 31, 2007. The decrease is due to depreciation in excess of capital expenditures. Capital expenditures for the remainder of fiscal 2008 are anticipated to be approximately \$800 thousand. Deferred costs decreased by \$203 thousand at July 31, 2007 compared to January 31, 2007. The decrease is due primarily to a change in accounting policy in the first quarter this year, which resulted in a write-down of deferred finance charges of \$151 thousand and amortization in excess of expenditures.

Future income taxes have increased by \$318 thousand at July 31, 2007 compared to January 31, 2007. The increase is a result of the Company recording a recovery for future income tax in the first six months of the year.

The current liabilities were \$8.1 million at July 31, 2007 compared to \$5.1 million at January 31, 2007. This increase is due primarily to increased amounts outstanding for production taxes and trade payables, due to increased seasonal demand, and a \$1.1 million increase in bank indebtedness.

Long-term debt and obligations under capital leases have decreased by \$524 thousand at July 31, 2007 compared to January 31, 2007. This decrease is due to repayment of long term debt and capital lease obligations during the period.

CASH FLOW

Quarterly comparison

The Company used \$694 thousand in cash from operating activities in the second quarter, compared to generating \$1.4 million in the same quarter last year. The primary causes for this differential of \$2.1 million are reduced generation of cash from earnings of \$1.0 million for the second quarter, compared to the earnings in the second quarter last year, and an decrease in noncash working capital of \$1.1 million in the second quarter compared to the same period last year, due primarily to an increase in taxes payable in the second quarter last year compared to the second quarter this year.

Financing activities used \$439 thousand in cash during the second quarter this year, compared to using \$222 thousand in the same quarter last year, a difference of \$217 thousand. In the second quarter the Company repaid an additional \$199 thousand in obligations under long term debt and capital leases compared to the second quarter last year. The Company received an additional \$18 thousand from the issue of capital stock in the second quarter last year compared to the second quarter this year.

Investing activities generated a net cash outflow of \$355 thousand in the second quarter compared to \$1.3 million in the same period last year, a reduction of \$917 thousand, primarily due to a reduction in capital expenditures in the second quarter compared to the same period last year. Capital expenditures in the second quarter this year were \$354 thousand. These expenditures were primarily in the Kitchener facility to assist with the storage of beer prior to packaging and to provide for the production of additional packaging configurations. Total capital expenditures for the current fiscal year are expected to be approximately \$1.6 million. These capital expenditures are expected to be funded through a combination of cash from operating activities and selected operating leases.

Year to date comparison

The Company generated \$140 thousand in cash from operating activities in the first six months of fiscal 2008 compared to generating \$1.9 million in the same period last year. The primary cause for this differential is a reduction in earnings for the period of \$1.7 million and a \$200 thousand unfavourable working capital change in the period, due to a reduction in accounts payable this year compared to the first six months of last year.

Financing activities used \$520 thousand in the first six months of fiscal 2008 compared to generating \$2.8 million in the same period last year, a difference of \$3.3 million. The reason for this difference is that in this period last year, proceeds from long term financing of \$2.8 million and an additional \$389 thousand from the issue of capital stock were received. The Company also repaid an additional \$212 thousand on long term debt in the second quarter this year.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

Investing activities generated a net cash outflow of \$774 thousand in the first six months of fiscal 2008 compared to \$3.7 million in the same period last year. Capital expenditures were \$774 thousand in the first six months this year compared to \$3.1 million in the same period last year. The capital expenditures last year were incurred to support the commissioning of the new packaging line in Kitchener and a brewing expansion in Formosa. Capital expenditures have been incurred this year primarily in the Kitchener packaging facility to support the storage, handling and packaging of additional brands. In the first six months last year the Company incurred pre-operating costs of \$403 thousand, for which there have been no similar costs incurred this year.

The Company's cash decreased \$1.2 million in the first six months this year compared to a net increase of \$1.3 million in the first six months last year. This net decrease of \$2.5 million is due primarily to the Company receiving proceeds from long term financing of \$2.8 million last year, with no similar proceeds being received in the first six months this year.

The Company has an authorized operating line of credit of \$4.5 million at prime plus 0.25%. The Company's operating line is sufficient to fund current operating activities and cash requirements throughout the year. The Company is currently in compliance with the terms of all of its lending agreements.

The Company has approximately \$8.1 million in loss carry-forwards and temporary timing differences available to reduce income tax expense in future years, as compared to \$7.2 million at the end of the same period last year. Of this amount approximately \$696 thousand will expire in 2010, \$3.3 million will expire in 2016 and \$4.6 million will expire in 2017.

NEW ACCOUNTING STANDARDS

Effective February 1, 2007, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3251, Equity, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, and CICA Handbook Section 3865, Hedges. These new CICA Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. These new standards have to be applied without restatement of prior period amounts.

Handbook Section 1530, Comprehensive Income, establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. Effective for the first six months ended July 31, 2007 there were no adjustments to income and the statement of comprehensive income is unchanged from the statement of earnings and deficit.

Handbook Section 3251, Equity, which replaced section 3250, Surplus, establishes standards for the presentation of equity and changes in equity during the reporting period and requires the Company to present separately components and changes in equity arising from i) net earnings; ii) other comprehensive income; iii) other changes in new earnings; iv) changes in contributed surplus; v) changes in share capital; vi) changes in reserves. These items are included in the Company's Statement of Earnings and Deficit. Handbook Section 3855, Financial Instruments – Recognition and Measurement, establishes guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized costs. Subsequent measurement and recognition of changes in fair market value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses are included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

As a result of the adoption of these standards, the Company has made the following classifications:

- Cash and cash equivalents have been classified as held for trading and presented at their fair value. Gains and losses arising on the revaluation at the end of each period are included in the statement of earnings and deficit.
- Restricted investments are classified as held to maturity and continue to be recorded at the amortized cost.
- Accounts receivable are classified as loans and receivables and are normally recorded at their original cost, which represents their fair value.
- Accounts payable, accrued liabilities and the term loan, including interest payable, are classified as other liabilities, all of which are measured at amortized cost.

The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has maintained its policy not to use hedge accounting.

The adoption of Handbook Sections 3251, 3861 and 3855 had no significant impact on the financial statements for the period ended July 31, 2007. An adjustment of \$103,176 was required to the opening deficit to adjust for deferred finance charges at February 1, 2007. There were no other adjustments to comprehensive income or net income.

RISK FACTORS, STRATEGIES AND OUTLOOK

In the past three quarters, the Company's overall beer volumes have been reduced due, management believes, in large part to recent changes implemented in the retail and marketing policies at TBS. The Company is currently implementing a number of marketing and selling strategies to seek to maintain the competitiveness of its products at TBS. Increased competitive activity and the slowing growth rate for value brands in the marketplace have also had a negative impact on the Company's volumes.

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 administrative and operating overheads to ensure both the capabilities and costs of these functions meet the strategies of the Company.

The Company has recently upgraded its manufacturing and distribution capabilities. The Company's manufacturing strategy contains a series of actions to seek to reduce costs and increase capacity over the course of the current fiscal year and beyond. The plan will continue to seek an improvement in EBITDA* via variable operating cost reductions at current volumes over the current fiscal year and into the future.

The new Kitchener packaging facility is expected to continue to gain improved efficiencies during fiscal 2008. The Company is actively seeking additional co-packing opportunities to supplement the future utilization of the Formosa packaging facility.

During fiscal 2007 the Company launched the J.R. Brickman Founder's Series premium brands in an effort to grow the Company's premium brand portfolio. Management believes there are opportunities to continue to pursue targeted investments in the Company's current premium brands and various opportunities to represent selected complementary imported brands. The Company is seeking to increase the size of its premium brand portfolio over the next three years.

Direct Cellars represents a variety of alcoholic beverages brands to the LCBO and licensed establishments. The Company has a 50% ownership in this sales agency. The Company is seeking to attract a variety of other brands for this agency to represent in both the LCBO and licensee channels, in order to strengthen its current position in the market while increasing opportunities for market share expansion.

The Company continues to experience growth in its Laker can volumes. The Company launched a variety of additional Laker can formats as the Company continues to compete in this category. Laker cans are produced by High Falls under license.

On May 14, 2007 the Company announced that it was reviewing strategic alternatives to enhance shareholder value. The strategic review process continues and the Company will make a public announcement at the appropriate time.

On July 13, 2007 the Company announced that it had entered into an agreement with Cadbury Schweppes to manufacture and package the Motts Caesar alcohol-based beverages. Under the terms of the agreement, production is to begin January 1, 2008 and at current volumes it is anticipated that this agreement will provide a material increase to EBITDA*. Pursuant to the agreement, the Company also began to provide sales representation for Motts Caesar in the Ontario market effective July 1, 2007.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

SUMMARY OF QUARTERLY RESULTS

\$(000's)	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net Revenue	9,625	6,872	7,550	8,692	11,316	7,654	6,365	8,643
Selling, general & administration	1,670	1,693	2,041	1,731	2,558	1,606	1,597	1,678
EBITDA*	942	(771)	(557)	552	1,912	630	(152)	1,375
Net Income\Loss	283	(898)	(1,000)	40	962	126	1,664	1,033
EPS (Basic)	.01	(.04)	(.05)	.00	.05	.01	.09	.05
EPS (Diluted)	.01	(.04)	(.04)	.00	.05	.01	.09	.04

RELATED PARTY TRANSACTIONS

On February 1, 2005 the Company acquired a 50% interest in Direct Cellars. Direct Cellars provides sales agency services to the Company. The cost of services was \$206 thousand and \$152 thousand in the second quarters of fiscal 2008 and 2007, respectively. At July 31, 2007, Direct Cellars owed the Company \$90 thousand (July 31, 2006-\$90 thousand). This amount is included in accounts receivable. During the second quarter of fiscal 2008 the Company recorded earnings of \$44 thousand from this affiliate compared to earnings of \$7 thousand for the same period last year.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. The Company also maintains internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended July 31, 2007 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.

STATEMENT OF EARNINGS AND DEFICIT

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Gross Revenue	\$22,008,913	\$23,615,165	\$37,644,151	\$39,335,967
Less: Production taxes & distribution fees	(12,384,356)	(12,298,938)	(21,147,732)	(20,739,149)
Net Revenue	9,624,557	11,316,227	16,496,419	18,596,818
Cost of goods sold	7,012,887	6,846,188	12,963,457	11,890,560
Gross margin	2,611,670	4,470,039	3,532,962	6,706,258
Expenses:				
Selling, marketing and administration	1,669,540	2,557,933	3,362,183	4,164,305
Earnings (loss) before the undernoted	942,130	1,912,106	170,779	2,541,953
Other income/(expenses):				
Amortization	(442,126)	(367,908)	(892,277)	(720,278)
Interest on long-term debt	(110,073)	(115,189)	(210,940)	(186,030)
Other interest income	13,224	21,902	23,361	31,187
Equity earnings/(loss) of long term investment	43,742	6,787	11,667	(18,934)
	(495,233)	(454,408)	(1,068,189)	(894,055)
Earnings/(loss) before provision for income taxes	446,897	1,457,698	(897,410)	1,647,898
Future income tax expense/ (recovery)	163,676	495,995	(282,640)	560,595
Net earnings/ (loss)	283,221	961,703	(614,770)	1,087,303
Deficit, beginning of the period	(5,159,605)	(4,159,594)	(4,158,438)	(4,285,184)
Cumulative effect of adopting new accounting policies, net of tax (note 2)	-	-	(103,176)	-
Deficit, end of period	\$ (4,876,384)	\$ (3,197,891)	\$ (4,876,384)	\$ (3,197,881)
Net earnings per share:				
Basic	\$ 0.01	\$ 0.05	\$ (0.03)	\$ 0.06
Diluted	0.01	0.05	(0.03)	0.06

BALANCE SHEETS

(Unaudited)

	July 31, 2007	January 31, 2007
Assets		
Current assets:		
Cash	\$ -	\$ 53,852
Accounts receivable	3,402,469	2,590,199
Inventories	8,686,299	8,381,787
Future income taxes	91,848	80,046
Prepaid expenses	1,266,232	487,294
Total current assets	13,446,848	11,593,178
Property, plant and equipment	17,574,095	17,687,452
Long term investment	90,856	79,190
Trademarks and listing fees	5,458,725	5,407,021
Deferred costs	434,357	637,603
Other assets	227,500	242,500
Future income taxes	2,023,492	1,705,044
	\$ 39,255,873	\$ 37,351,988
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 1,098,833	\$ -
Trade accounts payable and accrued liabilities	5,907,960	3,911,922
Current portion of long-term debt	898,200	890,400
Current portion of obligations under capital lease	177,605	204,119
Total current liabilities	8,082,598	5,006,441
Long-term debt	3,449,400	3,898,500
Obligations under capital lease	482,581	557,136
Shareholders' equity:		
Share capital	31,526,484	31,503,655
Contributed surplus	591,194	544,694
Deficit	(4,876,384)	(4,158,438)
Total shareholders' equity	27,241,294	27,889,911
	\$ 39,255,873	\$ 37,351,988

STATEMENTS OF CASH FLOW

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Cash provided by (used in):				
Operations:				
Earnings/ (loss) for the period	\$ 283,221	\$ 961,703	\$ (614,770)	\$ 1,087,303
Items not involving cash:				
Amortization of property, plant and equipment, deferred & other assets	442,126	367,908	892,277	720,278
Stock based compensation	23,250	-	46,500	-
Equity (earnings/ loss of long term investment)	(43,741)	(6,786)	(11,666)	18,935
Future income tax expense/(recovery)	163,676	496,195	(318,448)	560,595
Change in non-cash operating working capital	(1,562,223)	(420,372)	146,747	(438,435)
	(693,691)	1,398,648	140,640	1,948,676
Financing:				
Repayment of obligation under long term debt	(441,300)	(192,450)	(441,300)	(234,900)
Repayment of obligation under capital lease	(20,164)	(69,680)	(101,069)	(95,369)
Issuance of long-term debt	-	-	-	2,000,000
Proceeds from obligations under capital lease	-	-	-	750,000
Issue of capital stock, net of costs	22,829	40,624	22,829	411,428
	(438,635)	(221,506)	(519,540)	2,831,159
Investments:				
Acquisition of property, plant and equipment and listing fees	(354,886)	(1,272,035)	(773,785)	(3,066,195)
Pre-operating costs	-	-	-	(402,538)
	(354,886)	(1,272,035)	(773,785)	(3,468,733)
Net increase/ (decrease) in cash	(1,487,212)	(94,893)	(1,152,685)	1,311,102
Cash, beginning of period	388,379	1,912,869	53,852	506,874
Cash/ (bank indebtedness), end of period	\$ (1,098,833)	\$ 1,817,976	\$ (1,098,833)	\$ 1,817,976

NOTES TO THE FINANCIAL STATEMENTS

Unaudited...

For the second quarters ended July 31, 2007 and 2006

These unaudited interim financial statements for the second quarter ending April 30, 2007 have not been reviewed by the Company's external auditor.

1. Description of business

The Company operates two breweries 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 system, 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 financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim financial statements should be read in conjunction with the annual financial statements for the year ended January 31, 2007. They follow the same accounting policies except as noted below.

Effective February 1, 2007, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. These new standards have to be applied without restatement of prior period amounts.

Handbook Section 1530, *Comprehensive Income*, establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. Effective for the six month period ended July 31, 2007 there were no adjustments to income the statement of comprehensive income is unchanged from the statement of earnings and deficit as a result of the adoption of this section.

NOTES TO THE FINANCIAL STATEMENTS

Continued...

Handbook Section 3251, *Equity*, which replaced section 3250, *Surplus*, establishes standards for the presentation of equity and changes in equity during the reporting period and requires the Company to present separately components and changes in equity arising from i) net earnings; ii) other comprehensive income; iii) other changes in new earnings; iv) changes in contributed surplus; v) changes in share capital; vi) changes in reserves. These items are included in the Company's Statement of Earnings and Deficit.

Handbook Section 3855, Financial Instruments – Recognition and Measurement, establishes guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized costs. Subsequent measurement and recognition of changes in fair market value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses are included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

As a result of the adoption of these standards, the Company has made the following classifications:

- Cash and cash equivalents have been classified as held for trading and presented at their fair value. Gains and losses arising on the revaluation at the end of each period are included in the statement of earnings and deficit.
- Restricted investments are classified as held to maturity and continue to be recorded at the amortized cost.
- Accounts receivable are classified as loans and receivables and are normally recorded at their original cost, which represents their fair value.
- Accounts payable and accrued liabilities and the term loan, including interest payable are classified as other liabilities, all of which are measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

Continued...

The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has maintained its policy not to use hedge accounting.

The adoption of Handbook Sections 3251, 3861 and 3855 had no significant impact on the financial statements for the period ended July 31, 2007. An adjustment of \$150,508, net of future taxes of \$47,332 or \$103,176 was required to the opening deficit to adjust for deferred finance charges at February 1, 2007. There were no other adjustments to comprehensive income, or net income.

3. Outstanding shares

As at July 31, 2007, the Company had outstanding 21,837,995 common shares and 990,000 options to acquire common shares under the Company's stock option plan with various expiry dates.

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

Direct Cellars Beverage Co. ("Direct Cellars"), a significantly influenced investee, provides sales services to the Company. The cost of these services was \$206,215 and \$152,184 in the second quarter of fiscal 2008 and second quarter of fiscal 2007 respectively. These services were charged to selling, marketing and administration expenses. These transactions are in the normal course of operations. At July 31, 2007 Direct Cellars owed the Company \$90,000 (July 31, 2006 – \$90,000) via a shareholder loan with no fixed repayment terms. This amount is included in accounts receivable.

6. Comparative figures

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



CORPORATE INFORMATION



BRICK

J.R. Brickman Pilsner
J.R. Brickman Amber
J.R. Brickman Honey Red
Waterloo Dark
Waterloo Wheat
Red Baron
Formosa Springs Draft
Formosa Springs Light
Connors Best Bitter
Red Cap Ale
Bambay

LAKER

Laker Premium
Laker Light
Laker Strong
Laker Red
Laker Ice
Laker Honey

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BRICK BREWING CO LIMITED