



2ND QUARTER REPORT

Six Months Ending July 31, 2008



BRICK BREWING CO LIMITED

LETTER TO THE SHAREHOLDERS

Dear Shareholder:

Results for the second quarter were unsatisfactory. Rising commodity costs, including malted barley, hops, fuel, natural gas and aluminium, continue to be a challenge. These increased input costs affected the entire industry and reduced our earnings by \$372 thousand in the quarter compared to the second quarter last year.

In this quarter our beer volumes declined in the face of reduced industry volume driven by the rainiest summer on record in Ontario and coupled with aggressive pricing by foreign-owned competitors.

It is encouraging to note that the operations was able to improve efficiencies in the quarter which resulted in a cost savings of \$131 thousand in the quarter compared to the second quarter last year.

Also in the second quarter the Company incurred \$201 thousand in severance costs in an effort to restructure its operations and streamline senior management. A new revitalized management team has been appointed in the quarter and will be re-focused on driving improvements in both operations and sales.

To be successful and prosper on a sustainable basis, we will focus our business on five (5) strategic pillars:

1. Build a dominant owner brand portfolio in both the value segment and the premium segment.
2. Focus investment on the biggest opportunities that either drive revenue growth or deliver cost reduction.
3. Win in the most profitable channels and geographic markets.
4. Build a high performance, disciplined and winning organization that is fully committed to making it happen.
5. Optimize operating assets.

In this quarter we began to execute our new 'Go to Market Strategy' with the first step being a Brick dedicated sales force. Also, in an effort to optimize our operating assets we renewed our co-pack production contract with Canada Dry Mott's Inc. in the quarter.

Subsequent to the second quarter the following positive additional developments have occurred:

1. The Company announced that it has settled its lawsuit against The Beer Store. The parties have reached an agreement that will provide the Company with continued access to the Industry Standard Bottle and entitle it to continue to use non-standard bottles, subject to certain conditions, for certain specified products.
2. Brick entered into a partnership with Latis Imports to represent brands from Palm Breweries, Belgium's largest independent brewer.

Our focus for the balance of the year will continue to be directed at reducing all non-strategic costs, improving operating efficiencies and improving the performance of our brands in the marketplace.

I look forward to reporting our progress towards these goals. We are confident and excited about the opportunities ahead for the third quarter and the balance of the year.

Cheers!



George Croft
President and Chief Executive Officer
Brick Brewing Co. Limited
September 9, 2008

Forward-Looking Statements

All statements in this shareholder letter that do not directly and exclusively relate to historical facts constitute forward-looking statements as of the date of this letter. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan" or "believe" or the negatives of these terms or variations of them or similar terminology. These forward-looking statements include the statements concerning efficiency improvements, reduced costs and overheads, product demand and revenue, profit and margin improvements. 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, which are not guarantees, reflect the Company's views as of September 9, 2008 with respect to future events and 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 efficiency improvements, reduced costs and overheads, product demand and revenue, profit and margin improvements, are based on, among other things, the following material factors and assumptions: improved operating efficiencies will continue to be realized, no material changes in consumer preferences, input costs for brewing and packaging materials will continue to 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 discussion in the Company's management discussion & analysis, annual information form and various other public filings. The forward-looking statements included in this letter are made only as of September 9, 2008 and, except as required by applicable securities laws, the Company does not undertake to publicly update these 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

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, 2008 ("the second quarter of fiscal 2009") and the six months ended July 31, 2008 in comparison with the three months ended July 31, 2007 ("the second quarter of fiscal 2008") and the six months ended July 31, 2007. These comments should be read in conjunction with the financial statements for the second quarters of fiscal 2009 and 2008; with the MD&A in the fiscal 2008 annual report for the year ended January 31, 2008, including the sections on risks and uncertainties (the "Annual MD&A"); and with the accompanying notes to the financial statements for the second quarter of fiscal 2009 and the year ended January 31, 2008. The financial statements for the second quarter of fiscal 2009 have not been audited or reviewed by KPMG LLP. The following comments were prepared as of September 9, 2008. 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, which are not guarantees, reflect the Company's views as of September 9, 2008 with respect to future events and 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 current fiscal year ending January 31, 2009 ("fiscal 2009") will decline, no material changes in consumer preferences, operating efficiencies at the packaging and warehousing facility in Kitchener, Ontario will continue to be realized, input costs for brewing and packaging materials will continue to increase compared to last year, 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 Annual 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 September 9, 2008 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.

DESCRIPTION OF THE BUSINESS

The Company produces, sells, markets and distributes bottled and draft premium beer under the J.R. 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

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MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

DESCRIPTION OF THE BUSINESS (continued)...

products under the licensed PC® trademark on behalf of Loblaws 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, High Falls and Canada Dry Mott's Inc. ("Mott's").

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 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.

RESULTS OF OPERATIONS

Results for the three months ended July 31, 2008

in thousands except per share amounts	Three months ended		Six months ended	
	2008	2007	2008	2007
Gross Revenue	\$ 19,447	\$ 22,009	\$ 35,042	\$ 37,644
Less: Production taxes and distribution fees	(10,771)	(12,384)	(19,032)	(21,148)
Net revenue	8,675	9,625	16,010	16,496
Cost of goods sold	6,747	7,013	12,690	12,963
Gross margin	1,929	2,612	3,321	3,533
Selling marketing and administrative expenses	22.2%	27.1%	20.7%	21.4%
	1,274	1,670	2,302	3,362
Severance Costs	201	-	201	-
Earnings (loss) before the undernoted	454	942	818	171
Depreciation and amortization	(429)	(442)	(851)	(892)
Interest and other income/(expense)	(4)	(53)	(94)	(176)
Loss before provision for income taxes	21	447	(127)	(897)
Provision for future income taxes	20	164	(21)	(283)
Net earnings/ Loss	\$ 1	\$ 283	\$ (106)	\$ (615)
Net earnings per share:				
Basic	\$ 0.00	\$ 0.01	\$ (0.00)	\$ (0.03)
Diluted	0.00	0.01	(0.00)	(0.03)
Net Revenue Growth / (Decrease)	-9.9%	-14.9%	-2.9%	-11.3%
Beer Volume Decrease	-4.2%	-11.0%	-10.5%	-8.9%

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

(in thousands)	Three months ended		Six months ended	
	July 31, 2008	July 31, 2007	July 31, 2008	July 31, 2007
Net Earnings/(Loss)	\$ 1	\$ 283	\$ (106)	\$ (615)
Add:				
Future income tax expense (recovery)	20	164	(21)	(283)
Amortization	429	442	851	892
Interest expense	91	110	194	211
Subtotal	540	716	1,023	821
Less:				
Other interest income	(18)	(13)	(35)	(23)
Equity earnings on long term investment	(69)	(44)	(64)	(12)
Subtotal	(87)	(57)	(99)	(35)
EBITDA *	\$ 454	\$ 942	\$ 818	\$ 171

NET REVENUE

Quarterly comparison

Gross revenues for the second quarter of fiscal 2009 were \$19.5 million, a decrease of \$2.6 million from the second quarter of fiscal 2008. Revenue from co-pack activities was \$914 thousand in the second quarter of fiscal 2009 compared to \$300 thousand in the second quarter last year. LCBO and production taxes.

Net revenues for the second quarter of fiscal 2009 were \$8.7 million as compared to \$9.6 million in the same quarter last year, a decrease of \$949 thousand or 9.9% due primarily to decreased revenues from the sale of beer. Net

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

NET REVENUE (continued)...

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 quarter, the Company's overall beer volumes decreased by 15%, compared to a decrease of 11% in the second quarter last year. Management believes that this decline is due to aggressive competitor pricing and an overall industry decline in bottled beer sales of approximately 11% in May and June due to cool wet weather.

The Company expects that overall beer volumes will continue to decline at a reduced rate for the balance of the year as the Company plans to provide focused promotional support and targeted selling activities to increase the availability of its products at retail. At July 31, 2008 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 6.9% for the first six months of fiscal 2009 to \$35.0 million as compared to \$37.6 million in the first six months of fiscal 2008. Gross revenues for the first six months of fiscal 2009 include revenues of \$1.6 million from co-pack activities, an increase from \$427 thousand in the first six months of fiscal 2008. Net revenues for the first six months of fiscal 2009 were \$16.0 million as compared to \$16.5 million in the first six months of fiscal 2008, a decrease of 2.9%.

In the first six months of fiscal 2009 the Company's overall beer volumes decreased by 10.5% over the same period last year. Management believes that this decrease is in large part attributable to increased promotional activities by foreign-owned competitors and an overall industry volume decline for bottle package product of 5% in this period. The Company expects net revenues to continue to decrease through the remainder of fiscal 2008, compared to the comparable periods last year.

COST OF GOODS SOLD

Cost of goods sold was \$6.7 million for the second quarter compared to \$7.0 million in the second quarter of fiscal 2008.

Cost of goods sold in the second quarter reflects higher per unit input costs of \$372 thousand in the aggregate compared to the second quarter last year. These higher input costs were partially offset by improved efficiencies in operations. These improved efficiencies resulted in cost savings of \$131 thousand in the aggregate compared to the same period last year.

The Company is continuing to seek to take efficiency measures to offset these increased costs by improving efficiencies in its operations, increasing the selling price on certain products and obtaining certain inputs from alternative sources. Due to increases in the price of malted barley the Company anticipates that the unit cost of brewing materials will further increase significantly in fiscal 2009.

Due to increased co-packing volumes in the second quarter, cost of goods sold from co-packing increased by \$269 thousand in the aggregate compared to the same period last year. The cost of goods sold from co-packing activities was \$419 thousand in the quarter compared to \$150 thousand for the same period last year.

Certain efficiencies realized at the Kitchener packaging facility have contributed to reductions in per unit manufacturing costs in the second quarter compared to the previous year. Manufacturing costs are expected to be reduced further in fiscal 2009 as this facility is expected to continue to gain improved efficiencies during the year.

In the second quarter the Formosa facility continued to produce the Motts Caesar brand. The Company also packaged other co-packed products in Formosa. Additional brewing was also required from the Formosa facility in the second quarter due to seasonal demand.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

SELLING, MARKETING AND ADMINISTRATION

Quarterly comparison

Selling, marketing and administration expenses for the second quarter decreased \$195 thousand to \$1.3 million from \$1.7 million in the same quarter last year. Reduced overheads this year is the primary reason for the overall decreased expenditures. As a percentage of net sales, selling, marketing and administration expenses were 14.7% in the second quarter this year compared to 17.3% for the second quarter last year.

Year to date comparison

Selling, marketing and administration expenses for the first six months ended July 31, 2008 decreased 26% or \$859 thousand in the aggregate, to \$2.3 million from \$3.4 million in the first six months of last year. As a percentage of net sales, selling, marketing and administration expenses were 14.4% for the first six months this year compared to 20.0% for the same period last year.

SEVERANCE COSTS

In the second quarter this year the Company incurred \$201 thousand in severance costs in an effort to streamline senior management. A new management team has been appointed in the quarter.

In fiscal 2008 the Company implemented a series of targeted overhead cost reductions to reduce selling, marketing and administration expenses. In fiscal 2009 the Company has increased the direct sales, promotional and advertising support for the Laker brands compared to fiscal 2008. For the remainder of fiscal 2009 as a percentage of net sales, selling, marketing and administration expenses as a percentage of net sales are expected to continue to decrease.

DEPRECIATION AND AMORTIZATION

Quarterly comparison

In the second quarter, total depreciation and amortization expense was \$429 thousand compared to \$442 thousand in the same period last year.

Year to date comparison

For the first six months ended July 31, 2008, total depreciation and amortization expense was \$851 thousand compared to \$892 thousand in the same period last year.

OTHER INCOME AND EXPENSES

Quarterly comparison

In the second quarter, interest on long term debt was \$91 thousand, compared to \$110 thousand for the same period last year. The decrease can be attributed to a decrease in the outstanding loan balance in the second quarter this year as compared to last year.

In the second quarter, the Company recorded \$69 thousand in equity earnings from the investment in Direct Cellars Beverage Co. ("Direct Cellars"), compared to earnings of \$44 thousand in the same period last year.

During the quarter the Company recorded \$18 thousand in other income compared to \$13 thousand in the same period last year. This increase reflects increased payment discounts taken with suppliers in the second quarter this year compared to the same period last year.

During the second quarter the Company recorded a future income tax expense of \$20 thousand compared to \$164 thousand in the same period last year. The reduced expense is attributed to the reduced income in the second quarter compared to the same period last year.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

NET EARNINGS

For the second quarter, net income was \$ 1 thousand compared to a net income of \$283 thousand for the same period last year. Basic and diluted earnings per share in the second quarter were \$0.00 and \$0.00 per share respectively, compared with basic and diluted earnings of \$0.01 and \$0.01 per share for the same period last year.

As at July 31, 2008 the Company had 22,221,895 common shares outstanding and 1,000,000 stock options outstanding and exercisable for the same number of common shares.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

At July 31, 2008, the Company had bank indebtedness of \$2.7 million. This represents a decrease of \$113 thousand from bank indebtedness of \$2.8 million at January 31, 2008. This decrease is due primarily to cash from operations.

The Company's working capital position was \$2.7 million at July 31, 2008 compared to \$2.5 million at January 31, 2008. This increase in working capital can be attributable to seasonal increases of accounts receivable and inventory in excess of trade payable increases.

Current assets were \$11.8 million at July 31, 2008 compared to \$9.3 million at January 31, 2008, an increase of \$2.4 million. During the period accounts receivable increased by \$1.3 million and inventory 1.0 million due primarily to increased seasonal demand. Increases in finished goods to meet increased seasonal demand attributes to this increase. Prepaid expenses were increased by \$168 thousand in the period due primarily to increased prepaid insurance and distribution fees.

Property, plant and equipment decreased by \$562 thousand at July 31, 2008 compared to January 31, 2008. The decrease is due depreciation in excess of capital expenditures in the period. Capital expenditures for fiscal 2009 are anticipated to be approximately \$1.3 million in total and are primarily targeted to efficiency improvements in the Kitchener facility.

Deferred costs decreased by \$3 thousand at July 31, 2008 compared to January 31, 2008.

Future income taxes have increased by \$12 thousand at July 31, 2008 compared to January 31, 2008. The increase is a result of the Company recording a recovery for future income tax against its net loss.

The current liabilities were \$9.1 million at July 31, 2008 compared to \$6.9 million at January 31, 2008. This increase is due primarily to increased accounts payable and production taxes payable due to increased seasonal demand.

Long-term debt and obligations under capital leases have decreased by \$458 thousand and \$66 thousand, respectively, at July 31, 2008 compared to January 31, 2008. These decreases are due to repayment of long term debt and capital lease obligations during the period.

CASH FLOW

The Company used \$161 thousand in cash from operating activities in the quarter compared to using \$694 thousand in the second quarter last year. The primary causes for this differential of \$533 thousand was due to larger inventory increases last year compared to the same period this year.

Financing activities used \$379 thousand in cash during the quarter, compared to using \$439 thousand during the same quarter last year, a difference of \$41 thousand. The difference results from the Company repaying long term debt of \$430 thousand the second quarter compared to a payment of \$461 thousand last year and receiving \$51 thousand from the issuance of capital stock in the second quarter this year compared to \$23 thousand in the same period last year.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

CASH FLOW *(continued)*...

Investing activities generated a net cash outflow of \$212 thousand in the quarter compared to \$355 thousand last year, a decrease of \$143 thousand, due to capital expenditures of \$212 thousand compared to \$355 thousand in the same quarter last year. The Company anticipates capital expenditures in fiscal 2009 to be approximately \$1.3 million and plans to finance these through cash from operating activities.

The Company had bank indebtedness of \$2.6 million at July 31, 2008 compared to bank indebtedness of \$2.8 million at January 31, 2008. 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. In addition to the operating line of credit, the Company has a term loan facility outstanding. The Company is not in compliance with a certain financial covenant required under the term loan facility. The term lender has agreed not to demand repayment of the loan as a result of the covenant violation. The term lender waived the covenant requirement at the next compliance date of July 31, 2008. The Company expects to be in compliance with all financial covenants at January 31, 2009.

RISK FACTORS, STRATEGIES AND OUTLOOK

In the past year, the Company's overall beer volumes have declined. The industry volumes for bottled beer have declined significantly. The Company is currently implementing a number of marketing and selling strategies to seek to maintain the competitiveness of its products. Increased competitive activity and the slowing growth rate for value brands in the marketplace have had a negative impact on the Company's volumes.

The Company anticipates that the rate of decline in beer volumes will moderate due to increased selling and marketing support focused in the value category. The Company has increased the level of direct advertising support for its Laker brands in fiscal 2009 as compared to fiscal 2008.

The Company has implemented a series of targeted cost reductions to reduce ongoing overhead expenditures in selling, marketing and administration expenses. These cost reductions seek to significantly reduce these expenditures in fiscal 2009 as compared to fiscal 2008.

The Company will continue to focus on fiscal controls and targeted capital expenditures as volume growth slows. 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.

The Kitchener packaging facility is expected to continue to gain improved efficiencies during the remainder of fiscal 2009 and contribute further to reducing variable manufacturing costs. In January 2008 the Company began packaging the Motts Caesar brand in Formosa. On July 31, 2008 the Company announced that it had renewed its production and sales contract with Canada Dry Mott's Inc. The Company is actively seeking additional co-packing opportunities to supplement the future utilization of the Formosa packaging facility.

During the remainder of fiscal 2009, the Company anticipates manufacturing input costs for brewing materials to continue to be increased due to increases in the cost of malted barley. The Company expects operational efficiencies will assist in reducing costs to help offset these increases.

In the second quarter of fiscal 2009 the Company launched J.R. Brickman Amber and Pilsner and Waterloo Dark in cans into the LCBO channel.

On May 12, 2008 the Company announced the appointment of George H. Croft as President and CEO. Mr Croft's career in the brewing industry spans twenty five years and includes appointments as President, Oland Specialty Beer Co., President, Labatt Breweries of Ontario and President and COO, Lakeport Brewing Income Fund.

On July 18, 2008 the Company announced it was separating from the operating activities of Direct Cellars Beverage Co. and would be launching a new 'Go to Market Strategy' with the first step being the development of a Brick sales organization.

On September 2, 2008 the Company announced a partnership with Latis imports to represent brands in Ontario from Palm Breweries, Belgium's largest independent Brewer.

On September 3, 2008 the Company announced that it has settled its lawsuit against The Beer Store. The parties have reached an agreement that will provide the Company with continued access to the Industry Standard Bottle and entitle it to continue to use non-standard bottles, subject to certain conditions, for certain specified products.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

SUMMARY OF QUARTERLY RESULTS

\$(000's)	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net Revenue	8,675	7,335	6,271	7,542	9,625	6,872	7,550	8,692
Selling, general & administration	1,475	1,026	1,130	1,394	1,670	1,693	2,041	1,731
EBITDA*	454	363	(116)	(674)	942	(771)	(557)	552
Net Income\Loss)	1	(108)	(1,118)	(858)	283	(898)	(1,000)	40
EPS (Basic)	.00	(.00)	(.05)	(.04)	.01	(.04)	(.05)	.00
EPS (Diluted)	.00	(.00)	(.05)	(.04)	.01	(.04)	(.04)	.00

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's accounting policies are discussed in detail in note 1 to the Company's fiscal 2008 audited financial statements. Effective January 1, 2008, the new CICA handbook Section 3031 "Inventories" replaced existing Section 3030 "Inventories" to be consistent with the International Accounting Standards for inventories. The new section requires inventories to be measured at the lower of cost or market and net realizable value, which is consistent with the Company's current policy for measuring inventories held for resale. Further, this section defines what constitutes cost, defining what is to be included and excluded in the determination of cost, and expands the disclosure requirements for inventory. The impact on inventory valuation was a reduction in inventory and increase in property, plant and equipment of \$1.1 million. Additional disclosure has been provided in Note 2 of the interim financial statements.

FUTURE ACCOUNTING CHANGES

The CICA's accounting standards Board has announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. IFRS will require increased financial statement disclosures. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact of this announcement.

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 \$238 thousand and \$206 thousand in the second quarters of fiscal 2009 and 2008, respectively. At July 31, 2008, Direct Cellars owed the Company \$90 thousand (July 31, 2007-\$90 thousand). This amount is included in accounts receivable. During the second quarter ended July 31, 2008, the Company recorded earnings of \$69 thousand from this affiliate compared to earnings of \$44 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, 2008 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, 2008	July 31, 2007	July 31, 2008	July 31, 2007
Gross Revenue	\$ 19,446,623	\$ 22,008,913	\$ 35,042,463	\$ 37,644,151
Less: Production taxes & distribution fees	(10,771,183)	(12,384,356)	(19,032,206)	(21,147,732)
Net Revenue	8,675,440	9,624,557	16,010,257	16,496,419
Cost of goods sold	6,746,703	7,012,887	12,689,711	12,963,457
Gross margin	1,928,737	2,611,670	3,320,546	3,532,962
Expenses:				
Selling, marketing and administration	1,273,721	1,669,540	2,302,123	3,362,183
Severance costs	200,803	-	200,803	-
Earnings before the undernoted	454,213	942,130	817,620	170,779
Other income/(expenses):				
Amortization	(429,118)	(442,126)	(850,503)	(892,277)
Interest on long-term debt	(91,453)	(110,073)	(193,628)	(210,940)
Other interest income	18,486	13,224	35,237	23,361
Equity earnings/(loss) of long term investment	68,982	43,742	64,214	11,667
	(433,103)	(495,233)	(944,680)	(1,068,189)
Earnings/(loss) before provision for income taxes	21,110	446,897	(127,060)	(897,410)
Future income tax expense/ (recovery)	19,692	163,676	(20,935)	(282,640)
Net earnings/ (loss)	1,418	283,221	(106,125)	(614,770)
Deficit, beginning of the period	(6,959,783)	(5,159,605)	(6,852,240)	(4,158,438)
Cumulative effect of adopting new accounting policies, net of tax (note 2)	-	-	-	(103,176)
Deficit, end of period	\$ (6,958,365)	\$ (4,876,384)	\$ (6,958,365)	\$ (4,876,384)
Net earnings per share:				
Basic	\$ 0.00	0.01	\$ (0.00)	\$ (0.03)
Diluted	0.00	0.01	(0.00)	(0.03)

BALANCE SHEETS

(Unaudited)

	July 31, 2008	January 31, 2008
Assets		
Current assets:		
Accounts receivable	\$ 3,829,435	\$ 2,570,768
Inventories	7,181,097	6,199,656
Future income taxes	63,650	54,799
Prepaid expenses	677,903	509,995
Total current assets	11,752,085	9,335,218
Property, plant and equipment	17,503,938	18,066,632
Long term investment	169,796	105,582
Trademarks and listing fees	5,451,223	5,429,795
Deferred costs	380,668	383,650
Other assets	197,500	212,500
Future income taxes	2,074,694	2,062,610
	\$ 37,529,904	\$ 35,595,987
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 2,678,015	\$ 2,790,750
Trade accounts payable and accrued liabilities	5,358,389	3,038,317
Current portion of long-term debt	915,000	906,600
Current portion of obligations under capital lease	129,281	137,854
Total current liabilities	9,080,685	6,873,521
Long-term debt	2,534,400	2,991,900
Obligations under capital lease	353,300	419,281
Shareholders' equity:		
Share capital	31,968,762	31,539,112
Contributed surplus	551,122	624,413
Deficit	(6,958,365)	(6,852,240)
Total shareholders' equity	25,561,519	25,311,285
	\$ 37,529,904	\$ 35,595,987

STATEMENTS OF CASH FLOW

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 31, 2008	July 31, 2007	July 31, 2008	July 31, 2007
Cash provided by (used in):				
Operations:				
Earnings/ (loss) for the period	\$1,418	\$283,221	\$(106,125)	\$(614,770)
Items not involving cash:				
Amortization of property, plant and equipment, deferred & other assets	417,393	442,126	850,503	892,277
Amortization of other assets	7,500	-	15,000	-
Stock based compensation	28,248	23,250	43,529	46,500
Equity (earnings/ loss of long term investment	(68,981)	(43,741)	(64,214)	(11,666)
Future income tax expense/ (recovery)	19,692	163,676	(20,935)	(318,448)
Change in non-cash operating working capital	(566,093)	(1,562,223)	(101,718)	146,747
	(160,823)	(693,691)	616,040	140,640
Financing:				
Repayment of obligation under long term debt	(399,450)	(441,300)	(449,100)	(441,300)
Repayment of obligation under capital lease	(30,678)	(20,164)	(74,554)	(101,069)
Issue of capital stock, net of costs	51,100	22,829	312,830	22,829
	(379,028)	(438,635)	(210,824)	(519,540)
Investments:				
Acquisition of property, plant and equipment and listing fees	(211,635)	(354,886)	(292,481)	(773,785)
	(211,635)	(354,886)	(292,481)	(773,785)
Net increase/ (decrease) in cash	(751,486)	(1,487,212)	112,735	(1,152,685)
Cash, beginning of period	(1,926,529)	388,379	(2,790,750)	53,852
Cash/ (bank indebtedness), end of period	\$(2,678,015)	\$(1,098,833)	\$(2,678,015)	\$(1,098,833)

NOTES TO THE FINANCIAL STATEMENTS

For the second quarters ended July 31, 2008 and 2007

These unaudited interim financial statements for the second quarter ending July 31, 2008 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 and canned 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, 2008. They follow the same accounting policies except as noted below.

Effective January 1, 2008, the new CICA handbook Section 3031 "Inventories" replaced existing Section 3030 "Inventories" to be consistent with the International Accounting Standards for inventories. The new section requires inventories to be measured at the lower of cost or market and net realizable value, which is consistent with the Company's current policy for measuring inventories held for resale. Further, this section defines what constitutes cost, defining what is to be included and excluded in the determination of cost, and expands the disclosure requirements for inventory. The impact of this change was a reclassification of inventory reducing it and increasing property plant and equipment by \$1,077,285 at January 31, 2008.

3. Outstanding shares

As at July 31, 2008, the Company had outstanding 22,221,895 common shares and 1,000,000 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 \$238 thousand and \$206 thousand in the second quarter of fiscal 2009 and second quarter of fiscal 2008 respectively. These services were charged to selling, marketing and administration expenses. These transactions are in the normal course of operations. At July 31, 2008 Direct Cellars owed the Company \$90,000 (July 31, 2007 – \$90,000) via a shareholder loan with no fixed repayment terms. This amount is included in accounts receivable.

CORPORATE INFORMATION

BRICK

J.R. Brickman Pilsner
J.R. Brickman Amber
J.R. Brickman Honey Red
Waterloo Dark
Red Baron
Formosa Springs Draft
Formosa Springs Light
Red Cap Ale

LAKER

Laker Premium
Laker Light
Laker Strong
Laker Red 5.5
Laker Ice
Laker Honey

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STOCK TRADING SYMBOL

Toronto Stock Exchange – BRB

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