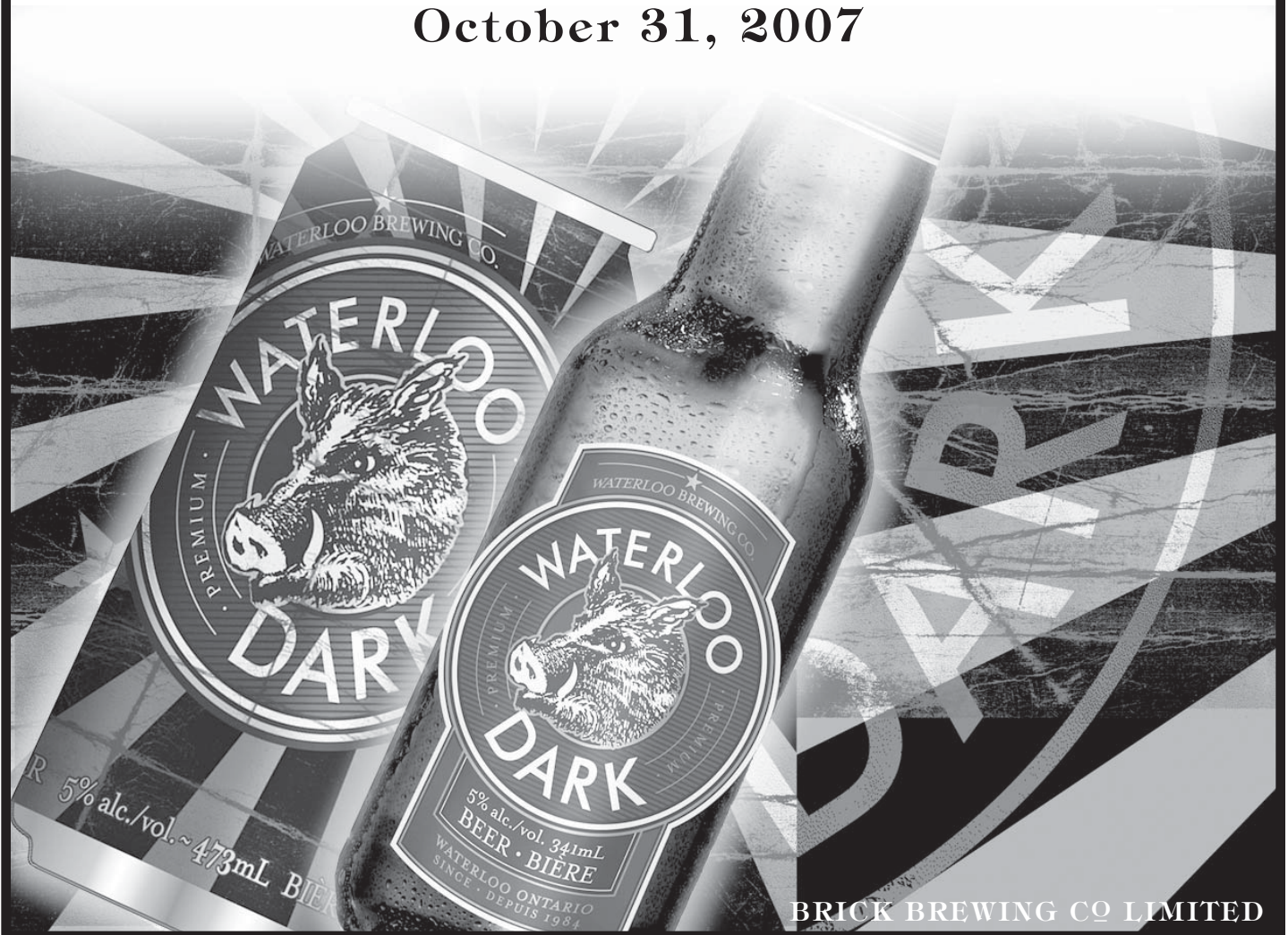




3RD QUARTER REPORT

Nine Months Ending
October 31, 2007



LETTER TO THE SHAREHOLDERS

Dear Shareholder:

Fiscal 2008 continues to be a challenging year for us. The strategic review, which took much longer than expected, proved to be both an expensive and distracting exercise for the Company. However we believe it was a necessary exercise at the time to explore all alternative opportunities that could maximize shareholder value.

During this process it also provided the Board a chance to review and reflect on our own operations and the opportunities that exist as an independent enterprise. It reconfirmed that the Company's current and future opportunities, though challenging in the short term, outweighed the other alternatives presented. The Company has invested significantly in its operations and is well positioned to capitalize on its expanded capacity and other assets it has available going forward.

The results of the third quarter of fiscal 2008 for Brick Brewing produced a loss of \$858 thousand. The reduced profitability was largely due to the continuing effect of increased production taxes of \$528 thousand, one time costs associated with the recently completed strategic review of \$297 thousand and severance costs of \$295 thousand as the Company reduced administrative and Formosa overheads to better position itself for lower overhead costs in the future.

During the quarter, management continued to implement a series of selling, marketing, and administrative cost reductions. In the quarter these expenses decreased by 21 % over the same period last year and 20% year to date, or \$1.2 million in the aggregate. The Company is continuing to assess overhead costs as required to ensure they are appropriate to our revenues and scale of operations.

As highlighted previously, contradictory sales patterns still exist with our brands between LCBO stores and The Beer Store. In order to address this TBS abnormality in a more accountable way, we have applied additional resources to step up our sales and monitoring activity to find more practical and tactical ways to better compete in this crucial retail distribution channel

During the quarter, Doug Berchtold resigned as President and CEO. Under his leadership Brick Brewing achieved significant growth and strategic accomplishments that position it well for the future. I would like to thank him again for his contributions. The Board, through a Nominating Committee, is currently evaluating potential candidates for this position.

Your management team continues to work diligently through this challenging phase for the Company. I would like to thank all our employees for their continued patience during this process and the hard work and dedication they have shown.



Jim Brickman
Founder and Executive Chairman
Brick Brewing Co. Limited
December 11, 2007



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. These forward-looking statements include the statements concerning plant, packaging, distribution and other capacity improvements, product demand, and reduced variable costs and margin improvements. These forward-looking statements are not guarantees and are based on management's expectations that improved operating efficiencies will be realized from the additional production and distribution capacity and that product demand will continue to grow. Although the Company believes these forward-looking statements are based on information and assumptions which are reasonable there are a number of factors which could cause actual results to vary from current expectations, including production delays, additional start-up costs, operational issues or reduced product demand. The forward-looking statements included in this letter are made only at the date of this letter and the Company does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

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 October 31, 2007 ("the third quarter of fiscal 2008") and the nine months ended October 31, 2007 in comparison with the three months ended October 31, 2006 ("the third quarter of fiscal 2007") and the nine months ended October 31, 2006. These comments should be read in conjunction with the financial statements for the third 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 third quarter of fiscal 2008 and the year ended January 31, 2007. The financial statements for the third 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 December 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 December 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 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 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, 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 October 31, 2007

in thousands except per share amounts	Three months ended		Nine months ended	
	2007	2006	2007	2006
	Gross Revenue	\$ 16,906	\$ 18,218	\$ 54,550
Less: Production taxes and distribution fees	(9,363)	(9,526)	(30,511)	(30,265)
Net revenue	7,542	8,692	24,039	27,289
Cost of goods sold	6,241	6,409	19,204	18,300
Gross margin	1,302	2,283	4,835	8,989
	17.3%	26.3%	20.1%	32.9%
Selling marketing and administrative expenses	1,394	1,760	4,756	5,924
Strategic review costs	297	-	297	-
Severance costs	285	-	285	-
	1,976	1,760	5,338	5,924
Earnings before the undernoted	(674)	524	(503)	3,065
Depreciation and amortization	(429)	(385)	(1,332)	(1,105)
Interest and other income/(expense)	(163)	(78)	(339)	(251)
Earnings before provision for income taxes	(1,267)	61	(2,164)	1,709
Provision for future income taxes	(409)	21	(691)	582
Net earnings	\$ (858)	\$ 40	\$ (1,473)	\$ 1,127
Net earnings per share:				
Basic	\$ (0.04)	\$ -	\$ (0.07)	\$ 0.03
Diluted	(0.04)	-	(0.06)	0.03
Net Revenue Growth	-13.2%	1.2%	-11.9%	15.9%
Volume Growth	-8.9%	6.6%	-8.9%	21.7%

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

(in thousands)	Three Months Ended		Nine Months Ended	
	October 31, 2007	October 31, 2006	October 31, 2007	October 31, 2006
	Net Earnings (Loss)	\$ (858)	\$ 40	\$ (1,473)
Add:				
Future income tax expense (recovery)	(409)	21	(691)	582
Amortization	429	385	1,322	1,105
Interest on long-term debt	168	111	379	297
Equity loss and long-term investment	-	-	-	13
Subtotal	189	517	1,009	1,996
Less:				
Other interest income	(4)	(27)	(27)	(58)
Equity earnings on long-term investment	(1)	(6)	(13)	-
Subtotal	(5)	(33)	(40)	(58)
EBITDA *	\$ (674)	\$ 524	\$ (503)	\$ 3,065

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

NET REVENUE

Quarterly comparison

Gross revenues for the third quarter of fiscal 2008 were \$16.9 million as compared to \$18.2 million in the third quarter of fiscal 2007, a decrease of 7.2%. Gross revenues for the third quarter include revenues of \$209 thousand from co-pack activities, an increase from \$29 thousand in the third quarter of fiscal 2007. In the third quarter of this year the Company's per unit selling price for beer increased 1.8% over the same period last year. Net revenues for the third quarter of fiscal 2008 were \$7.5 million as compared to \$8.7 million in the third quarter of fiscal 2007, a decrease of 13.2%. 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 third quarter the Company's marginal production tax rate increased by 9% or \$528 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 third quarter the Company's per unit distribution fees increased by 2% or \$68 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 third quarter this year compared to the same period last year and because unit distribution costs in the LCBO channel are higher. The Company also incurred higher distribution costs in the third 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 9% over the same period last year. Management believes that this decrease is in large part attributable to the continuing effect of the 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 15% at TBS in the third quarter compared to the same period last year, volumes for the Company's products at the LCBO increased by 5% in the third quarter compared to the same period last year. The decreased volumes at TBS reduced net revenue by approximately \$834 thousand in the third quarter this year compared to the same quarter last year.

The Company's volumes of its mainstream and licensed brands increased by 5% during the third quarter, due largely to increased promotional activity in the third quarter compared to the same period last year. The Company's Laker brand volumes decreased by 13% in the third quarter compared to the third quarter last year due, management believes, in large part to the continuing effect of the recent changes implemented in the retail and marketing policies at TBS. In the quarter the Company reduced its promotional support of the Laker brand, while it seeks to increase the availability of its products in retail channels. Volumes of Laker cans accounted for approximately 18% of Laker volumes in the third quarter compared to 19% of Laker volumes for the same period last year. During the third quarter, the Company's premium brand volumes declined by 27% compared to the third quarter last year, due to limited promotional support and volumes that were higher in the third quarter last year, due to the launch of the J.R. Brickman brands and shipments to stock inventory levels at TBS and LCBO for those brands. Management believes the recent changes to TBS retailing and marketing policies have also negatively impacted the volumes of these brands in the quarter. The Company is continuing to evaluate and implement all available steps to seek to maintain the competitiveness of its products at retail. At October 31, 2007 the Company's total market share by volume of TBS retail sales in Ontario was approximately 4%. In the future, the Company plans to provide focused promotional support and targeted activities to increase the availability of its products at retail.

Year to date comparison

Gross revenues have decreased by 5.2% for the first nine months of fiscal 2008 to \$54.5 million as compared to \$57.6 million in the first nine months of fiscal 2007. Gross revenues for the first nine months of fiscal 2008 include revenues of \$636 thousand from co-pack activities, an increase from \$302 thousand in the first nine months of fiscal 2007. In the first nine months of this year the Company's per unit selling price for beer increased 3.3% over the same period last year. Net revenues for the first nine months of fiscal 2008 were \$24.0 million as compared to \$27.3 million in the first nine months of fiscal 2007, a decrease of 11.9%.

In the first nine months of fiscal 2008 the Company's marginal production tax rate increased by 13.6% or \$2.4 million in aggregate additional taxes compared to the same period last year. These increased per unit production taxes are due primarily to the Company no longer benefiting from the Ontario small brewer tax reduction, as well as increased excise taxes in fiscal 2008.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

Year to date

Continued...

In the first nine months of fiscal 2008 the Company's per unit distribution fees increased by 6% or \$580 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 nine months of fiscal 2008 compared to the same period last year and because unit distribution costs in the LCBO channel are higher. The Company also incurred higher distribution costs in the first nine 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 nine 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 the continuing effect of the recent changes implemented in the retail and marketing policies at TBS.

The Company's volumes of its mainstream and licensed brands decreased by 8% during the first nine months of fiscal 2008, due largely to less promotional activity in the first nine months this year compared to the same period last year. The Company's Laker brand volumes decreased by 9% in the first nine months this year compared to last year due, management believes, to the continuing effect of the recent changes implemented in the retail and marketing policies at TBS and decreased promotional support this year. Volumes of Laker cans account for approximately 18% of Laker volumes in the first nine months this year, unchanged from last year. During the first nine months, the Company's premium brand volumes decreased by 12% over the same period last year, due to limited promotional support and, management believes, the continuing effect of the recent changes to TBS retailing and marketing policies.

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

Quarterly comparison

Cost of goods sold was \$6.2 million for the third quarter, down from \$6.4 million in the third quarter last year. The per unit cost of producing and distributing beer increased by 6% or \$401 thousand in the aggregate in the quarter compared to the same quarter last year.

Higher cost of goods sold in the third quarter reflects higher material and other input costs of \$434 thousand in the aggregate, compared to the third quarter last year. These higher costs were primarily for aluminium cans, brewing and packaging materials and glass bottles. The Company is continuing to take 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.

The Company had decreased plant overhead costs of \$65 thousand in the third 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 and brewing and packaging operations in Formosa have been largely discontinued for the balance of the fiscal year.

The Company's warehousing costs increased by \$24 thousand in the third 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 \$8 thousand in the third 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.

Manufacturing labour and overheads are expected to continue to be reduced as the Kitchener packaging facility continues to gain improved efficiencies.

During the quarter the Company discontinued essentially all brewing and packaging operations in Formosa except for a small amount of brewing. The Company reduced its manpower in Formosa by 18 employees, who were either laid off or temporarily relocated to the Kitchener facility. The Company anticipates these actions will reduce manufacturing costs in the fourth quarter. The Company anticipates Formosa operations will restart in the first quarter of fiscal 2009 when production of the Motts Caesar brand is expected to begin. The Company also anticipates that increased seasonal demand for beer will require additional brewing from the Formosa facility in the first quarter of fiscal 2009.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

SELLING MARKETING AND ADMINISTRATION

Quarterly comparison

Selling, marketing and administration expenses for the third quarter decreased by 21%, or \$366 thousand in the aggregate, to \$1.4 million from \$1.8 million in the same period last year. As a percentage of net sales, selling, marketing and administration expenses were 18.4% for the third quarter this year, compared to 20.2% for the third quarter last year.

Year to date comparison

Selling, marketing and administration expenses for the first nine months ended October 31, 2007 decreased 20% or \$1.2 million in the aggregate, to \$4.8 million from \$5.9 million in the first nine months of last year. As a percentage of net sales, selling, marketing and administration expenses were 19.8% for the first nine months this year compared to 21.7% 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. The Company took further actions late in the third quarter to reduce ongoing overhead expenditures in selling, marketing and administration.

STRATEGIC REVIEW COSTS

On October 31, 2007 the Company announced that it had completed its review of strategic alternatives. During the course of its review the Company incurred costs of \$297 thousand related to activities associated with the review. These costs are non-recurring and no significant expenses related to the strategic review are anticipated for the balance of fiscal 2008.

SEVERANCE COSTS

In this third quarter the Company incurred severance costs of \$295 thousand. The Company determined that it was necessary to take these actions to seek to further reduce operating overheads. The Company does not anticipate similar costs for the balance of fiscal 2008.

DEPRECIATION AND AMORTIZATION

Quarterly comparison

For the third quarter ended October 31, 2007, total depreciation and amortization expense was \$429 thousand compared to \$385 thousand in the same period last year. This increase is due primarily to increased investment in equipment at the Kitchener packaging facility.

Year to date comparison

For the first nine months ended October 31, 2007, total depreciation and amortization expense was \$1.3 million compared to \$1.1 million in the same period last year.

OTHER INCOME AND EXPENSES

Quarterly comparison

In the third quarter, interest expense was \$168 thousand, compared to \$111 thousand in the same period last year. The increase can be attributed to an increase in the interest rate on the Company's long term debt and increased bank indebtedness, as compared to the third quarter last year.

In the third quarter, the Company recorded \$1 thousand in equity earnings from the investment in Direct Cellars Beverage Co. ("Direct Cellars") compared to earnings of \$6 thousand in the same period last year.

During the third quarter the Company recorded \$4 thousand in other interest income, compared to \$27 thousand in the same period last year, due to greater cash balances in the third quarter last year.

During the third quarter the Company recorded a recovery of future income tax expense of \$409 thousand, compared to an expense of \$21 thousand in the same period last year.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

OTHER INCOME AND EXPENSES

Year to date comparison

In the first nine months of fiscal 2008, interest expense was \$379 thousand, compared to \$297 thousand in the same period last year. The increase can be attributed to an increase in interest rates and outstanding amounts related to the Company's long term debt, obligations under capital leases outstanding and increased bank indebtedness, as compared to the first nine months last year.

In the first nine months of fiscal 2008, the Company recorded \$13 thousand in equity earnings from the investment in Direct Cellars compared to a loss of \$13 thousand in the first nine months last year.

During the first nine months the Company recorded \$27 thousand in other interest income, compared to \$57 thousand in the same period last year. This decrease can be attributed to reduced cash balances in the first nine months this year compared to the same period last year.

During the first nine months the Company recorded a future income tax recovery of \$691 thousand compared to an expense of \$582 thousand in the same period last year.

NET EARNINGS

Quarterly comparison

For the third quarter ended October 31, 2007, net loss was \$858 thousand compared to net earnings of \$40 thousand for the third quarter last year. The basic and diluted loss per share for the third quarter was \$0.04 and \$0.04 per share respectively, compared with basic and diluted earnings per share of \$0.00 and \$0.00 for the same period last year.

Year to date comparison

For the nine months ended October 31, 2007, net loss was \$1.5 million compared to net earnings of \$1.1 million for the same period last year. The basic and diluted loss per share for the nine months ended October 31, 2007 was \$0.07 and \$0.06 per share respectively, compared with basic and diluted earnings per share of \$0.03 and \$0.03 for the same period last year.

As at October 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 October 31, 2007, the Company had bank indebtedness of \$1.8 million. This represents a reduction in net cash of \$1.8 million from \$54 thousand at January 31, 2007. This net cash reduction is consistent with the seasonal trends in the Company's business. The Company's working capital position was \$4.0 million at October 31, 2007 compared to \$6.6 million at January 31, 2007. At October 31, 2006 the Company's working capital position was \$6.0 million.

Current assets were \$11.3 million at October 31, 2007 compared to \$11.6 million at January 31, 2007, a decrease of \$322 thousand during the first nine months of fiscal 2008. Accounts receivable increased by \$322 thousand due primarily to increased seasonal volumes at October 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 been reduced by \$741 thousand in the first nine months of fiscal 2008. Finished goods have decreased by \$906 thousand and raw materials have increased by \$165 thousand in the first nine months. Prepaid expenses increased by \$141 thousand in the first nine months primarily due to increased prepaid insurance and distribution fees.

Property, plant and equipment decreased by \$384 thousand at October 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 \$250 thousand.

Deferred costs decreased by \$229 thousand at October 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 \$727 thousand at October 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 nine months of the year.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

CASH FLOW

Quarterly comparison

The Company used \$186 thousand in cash from operating activities in the third quarter, compared to using \$1.9 million in the same quarter last year. The primary causes for this differential of \$1.7 million are reduced generation of cash from earnings of \$898 thousand for the third quarter, compared to the third quarter last year, and an increase in non-cash working capital of \$3.0 million in the third quarter compared to the same period last year, due primarily to a reduction in inventory, receivables and accounts payable in the third quarter this year compared to the third quarter last year.

Financing activities used \$452 thousand in cash during the third quarter this year, compared to generating \$1.4 million in the same quarter last year, a difference of \$1.9 million. This difference can be primarily attributed to an increase in capital stock of \$1.9 million in the third quarter last year.

Investing activities generated a net cash outflow of \$102 thousand in the third quarter compared to \$415 thousand in the same period last year, a reduction of \$312 thousand, due to a reduction in capital expenditures in the third quarter compared to the same period last year. Capital expenditures in the third quarter this year were \$103 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 \$1.1 million. These capital expenditures are expected to be funded through cash from operating activities.

Year to date comparison

The Company used \$45 thousand in cash from operating activities in the first nine months of fiscal 2008 compared to generating \$24 thousand in the same period last year. The primary cause for this differential is a reduction in earnings for the period of \$2.6 million and a \$3.6 million favourable working capital change in the period, due primarily to reductions in inventory this year compared to the first nine months of last year.

Financing activities used \$971 thousand in the first nine months of fiscal 2008 compared to generating \$4.3 million in the same period last year, a difference of \$5.2 million. The reason for this difference is that in this period last year, proceeds from long term financing of \$2.8 million and additional proceeds of \$2.3 million from the issue of capital stock were received. The Company also repaid an additional \$214 thousand on long term debt in the first nine months this year compared to the same period last year.

Investing activities generated a net cash outflow of \$876 thousand in the first nine months of fiscal 2008 compared to \$3.9 million in the same period last year. Capital expenditures were \$876 thousand in the first nine months this year compared to \$3.5 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 nine 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 \$1.9 million in the first nine months this year compared to a net increase of \$410 thousand in the first nine months last year. This net decrease of \$2.3 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 has determined that it is more likely than not that it will violate a debt covenant requirement within the next year. In the absence of a waiver of the covenant the lender has the right to demand repayment of the debt outstanding. The Company is currently in compliance with the terms of all of its lending agreements.

The Company has approximately \$9.4 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.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

CASH FLOW

Year to date comparison

Continued...

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 nine months ended October 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.

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

1. 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.
2. Restricted investments are classified as held to maturity and continue to be recorded at the amortized cost.
3. Accounts receivable are classified as loans and receivables and are normally recorded at their original cost, which represents their fair value.
4. 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 October 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.

MANAGEMENT'S DISCUSSION & ANALYSIS

Continued...

RISK FACTORS, STRATEGIES AND OUTLOOK

Continued...

The new Kitchener packaging facility is expected to continue to gain improved efficiencies during the remainder of fiscal 2008. The Company is actively seeking additional co-packing opportunities to supplement the future utilization of the Formosa packaging facility. 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 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. In the quarter the Company launched its popular Waterloo Dark brand in a 473ml can. It is currently available in select TBS stores.

On October 31, 2007 the Company announced that it had completed its previously announced review of strategic alternatives to enhance shareholder value. CIBC World Markets was retained to assist in the review process and the review was conducted on a broad basis in terms of alternatives considered. As a result of the review, the Board of Directors of the Company determined that the Company's current strategy of seeking profitable growth and driving cost efficiencies represents the preferable means of enhancing value for shareholders and the review has accordingly been concluded.

The Board also announced the resignation of the Company's President and Chief Executive Officer, Doug Berchtold, which was effective November 2, 2007. A sub-committee of the Board has been formed to evaluate potential internal and external candidates for the position of President and Chief Executive Officer of the Company and to make recommendations as soon as practicable to the Board to fill that position on a permanent basis. In the meantime, Jim Brickman, Executive Chairman/Founder, was appointed interim President and CEO.

SUMMARY OF QUARTERLY RESULTS

\$(000's)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net Revenue	7,542	9,625	6,872	7,550	8,692	11,316	7,654	6,365
Selling, general & administration	1,394	1,670	1,693	2,041	1,731	2,558	1,606	1,597
EBITDA*	(674)	942	(771)	(557)	552	1,912	630	(152)
Net Income\ (Loss)	(858)	283	(898)	(1,000)	40	962	126	1,664
EPS (Basic)	(.04)	.01	(.04)	(.05)	.00	.05	.01	.09
EPS (Diluted)	(.04)	.01	(.04)	(.04)	.00	.05	.01	.09

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 \$113 thousand and \$136 thousand in the third quarters of fiscal 2008 and 2007, respectively. At October 31, 2007, Direct Cellars owed the Company \$90 thousand (October 31, 2006-\$90 thousand). This amount is included in accounts receivable. During the third quarter of fiscal 2008 the Company recorded earnings of \$1 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 October 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		Nine Months Ended	
	October 31, 2007	October 31, 2006	October 31, 2007	October 31, 2006
Gross Revenue	\$ 16,905,763	\$ 18,218,444	\$ 54,549,914	\$ 57,554,411
Less: Production taxes & distribution fees	(9,363,352)	(9,526,140)	(30,511,084)	(30,265,289)
Net Revenue	7,542,411	8,692,304	24,038,830	27,289,122
Cost of goods sold	6,240,536	6,409,257	19,203,993	18,299,817
Gross margin	1,301,875	2,283,047	4,834,837	8,989,305
Expenses:				
Selling, marketing and administration	1,393,884	1,759,517	4,756,067	5,923,822
Strategic review costs	297,410	-	297,410	-
Severance costs	284,734	-	284,734	-
	1,976,028	1,759,517	5,338,211	5,923,822
Earnings/(loss) before the undernoted	(674,153)	523,530	(503,374)	3,065,483
Other income/(expenses):				
Amortization	(429,437)	(384,907)	(1,321,714)	(1,105,185)
Interest on long-term debt	(167,938)	(110,586)	(378,878)	(296,607)
Other interest income	3,834	26,795	27,195	57,982
Equity earnings/(loss) of long term investment	1,100	6,183	12,767	(12,751)
	(592,441)	(462,515)	(1,660,630)	(1,356,561)
Earnings/(loss) before provision for income taxes	(1,266,594)	61,015	(2,164,004)	1,708,922
Future income tax expense/(recovery)	(408,689)	21,220	(691,329)	581,815
Net earnings/(loss)	(857,905)	39,795	(1,472,675)	1,127,107
Deficit, beginning of the period	(4,876,384)	(3,197,872)	(4,158,438)	(4,285,184)
Cumulative effect of adopting new accounting policies, net of tax (note 2)	-	-	(103,176)	-
Deficit, end of period	\$ (5,734,289)	\$ (3,158,077)	\$ (5,734,289)	\$ (3,158,077)
Net earnings/(loss) per share:				
Basic	\$ (0.04)	0.00	\$ (0.07)	\$0.03
Diluted	(0.04)	0.00	(0.06)	0.03

BALANCE SHEETS

(Unaudited)

	October 31, 2007	January 31, 2007
Assets		
Current assets:		
Cash	\$ -	\$ 53,852
Accounts receivable	2,910,044	2,590,199
Inventories	7,640,890	8,381,787
Future income taxes	91,848	80,046
Prepaid expenses	628,631	487,294
Total current assets	11,271,413	11,593,178
Property, plant and equipment	17,303,839	17,687,452
Long term investment	91,956	79,190
Trademarks and listing fees	5,429,593	5,407,021
Deferred costs	409,003	637,603
Other assets	220,000	242,500
Future income taxes	2,432,181	1,705,044
	\$37,157,985	\$ 37,351,988
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 1,839,005	\$ -
Trade accounts payable and accrued liabilities	4,356,110	3,911,922
Current portion of long-term debt	902,400	890,400
Current portion of obligations under capital lease	156,821	204,119
Total current liabilities	7,254,336	5,006,441
Long-term debt	3,045,750	3,898,500
Obligations under capital lease	451,260	557,136
Shareholders' equity:		
Share capital	31,526,484	31,503,655
Contributed surplus	614,444	544,694
Deficit	(5,734,289)	(4,158,438)
Total shareholders' equity	26,406,639	27,889,911
	\$ 37,157,985	\$ 37,351,988

STATEMENTS OF CASH FLOW

(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 31, 2007	October 31, 2006	October 31, 2007	October 31, 2006
Cash provided by (used in):				
Operations:				
Earnings/(loss) for the period	\$(857,905)	\$39,795	\$(1,472,675)	\$1,127,107
Items not involving cash:				
Amortization of property, plant and equipment, deferred & other assets	429,437	384,907	1,321,714	1,105,185
Stock based compensation	23,250	49,778	69,750	49,778
Equity (earnings)/loss of long term investment	(1,100)	(6,183)	(12,766)	12,752
Future income tax expense/(recovery)	(408,689)	21,220	(727,137)	581,815
Change in non-cash operating working capital	629,035	(2,413,802)	775,782	(2,852,246)
	(185,972)	(1,924,285)	(45,332)	24,391
Financing:				
Repayment of long term debt	(399,450)	(421,719)	(840,750)	(656,619)
Repayment of obligation under capital lease	(52,105)	(28,191)	(153,174)	(123,560)
Issuance of long-term debt	-	-	-	2,000,000
Proceeds from obligations under capital lease	-	-	-	750,000
Issue of capital stock, net of costs	-	1,888,074	22,829	2,299,502
	(451,555)	1,438,164	(971,095)	4,269,323
Investments:				
Acquisition of property, plant and equipment and listing fees	(102,645)	(414,958)	(876,430)	(3,481,153)
Pre-operating costs	-	-	-	(402,538)
	(102,645)	(414,958)	(876,430)	(3,883,691)
Net increase/(decrease) in cash	(740,172)	(901,079)	(1,892,857)	410,023
Cash/(bank indebtedness), beginning of period	(1,098,833)	1,817,976	53,852	506,874
Cash/(bank indebtedness), end of period	\$(1,839,005)	\$916,897	\$(1,839,005)	\$916,897

NOTES TO THE FINANCIAL STATEMENTS

Unaudited...

For the third quarters ended October 31, 2007 and 2006

These unaudited interim financial statements for the third quarter ending October 31, 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 October 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 October 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 \$112,831 and \$136,040 in the third quarter of fiscal 2008 and third 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 October 31, 2007 Direct Cellars owed the Company \$90,000 (October 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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LEGAL COUNSEL

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Toronto

STOCK TRADING SYMBOL

Toronto Stock Exchange – BRB

INVESTOR RELATIONS

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Founder and Executive Chairman

Graydon Moore

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BRICK BREWING CO LIMITED