

2012

Q1

BRICK BREWING CO. LIMITED

FIRST QUARTER FISCAL 2012

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS	5
STATEMENT OF COMPREHENSIVE INCOME	23
STATEMENT OF FINANCIAL POSITION	24
STATEMENT OF CHANGES IN EQUITY	25
STATEMENT OF CASH FLOWS	26
NOTES TO FINANCIAL STATEMENTS	27



To Our Shareholders,

I am pleased to present the financial results for the first quarter of fiscal 2012.

Our beer portfolio continued to be strong in Q1 after a tremendous finish to fiscal 2011. The Laker trademark, which is our largest brand family, is positioned as the best beer value in Ontario and grew 25.8% year over year. The combined growth of Brick beer brands was 12.4% versus an industry decline of 7.6% in the quarter.

The Seagram Coolers acquisition was significant for Brick Brewing, and solidifies our foundation for future growth. Our team is hard at work with changes that celebrate the rich tradition of, and potential for the Seagram trademark.

Financial highlights are as follows:

- Net revenues for the first quarter of fiscal 2012 were \$8.1 million compared to \$7.0 million in the first quarter of fiscal 2011.
- Sales volumes for Brick beer brands increased by 12.4% compared to the first quarter of fiscal 2011. Brick drove this sales growth despite unseasonably cold and rainy weather, which slowed sales for the overall industry.
- Gross profit percentage declined slightly from 22.1% to 20.7%, due to one-time costs related to Seagram trademark integration and preparations for a Global Food Safety certification. These one-time costs are expected to provide ongoing benefits.
- EBITDA* for the period ended May 1, 2011 was \$0.6 million, with a net loss of \$0.1 million.

I am pleased with our start to fiscal 2012 and look forward to sharing the results for the second quarter.

Cheers!

George H. Croft
President & CEO

MANAGEMENT'S DISCUSSION AND 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 ("Brick" or the "Company") for the quarterly period ended May 1, 2011 ("the first quarter of fiscal 2012") in comparison with the quarterly period ended May 2, 2010 ("the first quarter of fiscal 2011"). These comments should be read in conjunction with: (i) the unaudited financial statements for the first quarters of fiscal 2012 and 2011 and accompanying notes included therein; and (ii) the annual report for the year ended January 31, 2011, including the sections on risks and uncertainties within the MD&A for fiscal 2011. The interim financial statements for the first quarter of fiscal 2012 have not been audited or reviewed by the Company's auditors, KPMG LLP. The comments were prepared as of June 8, 2011. Additional information relating to the Company, including its annual information form, is available at www.sedar.com or in the investor relations section of the Company's website at www.brickbeer.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions and include, for example, the statements concerning expected volumes, operating efficiencies and costs. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect the Company's views as of June 8, 2011 with respect to future events. Future events are subject to certain risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including the statements regarding expected volumes, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: sales volumes in the fiscal year ending January 31, 2012 ("fiscal 2012") will increase; no material changes in consumer preferences; brewing, blending, and packaging efficiencies will improve; the cost of input materials for brewing and blending will decrease; the cost of packaging materials will decrease; competitive activity from other manufacturers 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 remainder of the discussion in this MD&A, the Company's annual information form and various other public filings as and when released by the Company. The forward-looking statements included in this MD&A are made only as of June 8, 2011 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.

BASIS OF PRESENTATION AND TRANSITION TO IFRS

On February 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") for Canadian publicly accountable enterprises. Prior to the adoption of IFRS, the Company followed Canadian Generally Accepted Accounting Principles ("CGAAP"). While IFRS has many similarities to CGAAP, some of the Company's accounting policies have changed as a result of its transition to IFRS. The most significant accounting policy changes that have had an impact on the results of operations are discussed within the applicable sections of this MD&A, and in more detail in the Accounting Changes section of this MD&A.

DESCRIPTION OF THE BUSINESS

Products

The Company produces, sells, markets and distributes packaged and draft premium beer under the Waterloo brand name, and value beer under the Red Baron, Red Cap, Formosa, and Laker brand names (collectively, the “Brick Brands”). Under its co-packaging agreements, the Company produces, sells, markets and distributes various beer products on behalf of Loblaws Inc. (“Loblaws”) under the licensed President’s Choice® (“PC®”) trademark. The Company produces the Mott’s Caesar brand in bottles under a contract with Canada Dry Mott’s, Inc. (“CDMI”). In addition to production, the Company also acts as the sales agent in Ontario for CDMI.

On March 16, 2011, the Company acquired the Canadian rights to the Seagram Coolers brand. Refer to the “Seagram Coolers Brand” section for further details.

Seagram Coolers Brand

On March 16, 2011, the Company entered into an agreement with Corby Distilleries Limited (“Corby”) and purchased the Canadian rights to the Seagram Coolers brand.

Under the agreement, Brick acquired the Canadian rights to the Seagram Coolers brand for a purchase price of \$7.3 million, plus the value of inventory on hand of \$1.4 million. The purchase price was satisfied by a \$4.9 million cash payment to Corby and the issuance of a secured promissory note for the remaining balance to be paid over the next four years. The promissory note is secured by a first charge over the intellectual property acquired by Brick. Payment of the inventory value is due one-year from closing.

In order to complete the transaction, Brick obtained a new term loan from HSBC Bank Canada (“HSBC”) in the amount of \$5.8 million. The term loan is repayable over 7 years and has a floating rate of prime + 3%. Subsequent to the first quarter of fiscal 2012, the Company selected a fixed rate option for 50% of the loan value at a rate of 7.2%.

The proceeds received from HSBC were used to settle a portion of the purchase price noted above and retire all long-term debt outstanding to Roynat Capital.

Concurrent with the issuance of the new term loan, HSBC increased the Company’s maximum operating line of credit from \$6.5 million to \$8.0 million. The terms for the operating line of credit remain unchanged. Upon closing, the Company charged approximately \$4.0 million to its operating line, which included HST recoverable of \$1.0 million and approximately \$0.2 million in transaction costs.

Geographic Distribution

The Company’s products are sold primarily in Ontario. The Company engages in certain co-packing activities, which involves producing and packaging beer and ready-to-drink alcoholic beverages for other customers. The Company’s packaged beer is also sold in Atlantic Canada, and British Columbia. The Seagram Coolers are sold across Canada.

Distribution Channels

In Ontario, distribution of packaged beer occurs through The Beer Store (“TBS”) and the Liquor Control Board of Ontario (“LCBO”). Consumers can purchase the Company’s products through these channels as well as through licensed establishments (bars and restaurants) in Ontario. The Seagram Coolers are sold through the provincial liquor boards.

Operating Facilities

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 has a blending and packaging facility in Formosa which is presently dedicated to co-packing and production of Seagram Coolers. The Company's head and registered office is in Waterloo, Ontario.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for the first quarters indicated below:

Results for the quarterly period ended:

(in thousands of dollars, except per share amounts)

	May 1, 2011 ⁽²⁾	May 2, 2010 ⁽²⁾	April 30, 2009 ⁽¹⁾
Income Statement Data			
Gross Revenue	\$ 17,373	\$ 14,628	\$ 15,767
Net Revenue (after production taxes and distribution fees)	\$ 8,133	\$ 6,971	\$ 7,641
Earnings before interest, income taxes, depreciation and amortization, non-recurring items and equity earnings ⁽³⁾	\$ 595	\$ 865	\$ 1,155
Net earnings (loss)	\$ (134)	\$ 115	\$ 431
Earnings per share			
Basic	\$ -	\$ -	\$ 0.02
Fully diluted	\$ -	\$ -	\$ 0.02
Balance Sheet Data			
Total Assets	\$ 47,380	\$ 33,264	\$ 29,982
Total Term Debt & Promissory Note	\$ 8,019	\$ 1,916	\$ 2,938

(1) amounts presented are prepared under Canadian GAAP

(2) presented in accordance with IFRS

(3) The most significant income statement change from CGAAP to IFRS relates to the change in presentation of depreciation on returnable bottles. Under CGAAP, this depreciation was presented as cost of sales and included in EBITDA, where as under IFRS it is excluded

RESULTS OF OPERATIONS

Results for the quarterly period ended:

(in thousands of dollars except per share amounts)

	May 1, 2011	May 2, 2010
Gross revenue	\$ 17,373	\$ 14,628
Less: Production taxes and distribution fees	(9,240)	(7,657)
Net revenue	8,133	6,971
Cost of sales	6,450	5,432
Gross profit	1,683	1,539
	20.7%	22.1%
Selling, marketing and administration	1,565	1,265
Earnings before the undernoted	118	274
Other expenses	(146)	(44)
Finance costs, net	(163)	(35)
Earnings before income taxes	(191)	195
Provision for future income taxes	(57)	80
Net earnings	(134)	115
Net earnings per share		
Basic	\$ -	\$ -
Diluted	\$ -	\$ -
Net revenue increase (decrease)	16.7%	-8.8%
Volume growth	9.2%	6.2%
Consisting of:		
Increase (decrease) in Brick beer brand volume	12.4%	-5.2%
Increase (decrease) in co-pack volume ⁽¹⁾	-8.6%	38.1%
Net volume growth	9.2%	6.2%

(1) Includes beer packaged under the licensed PC® trademark on behalf of Loblaw's Inc. and the Mott's Caesar packaged on behalf of CDMI.

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

(in thousands of dollars)

	Quarterly period ended	
	May 1, 2011	May 2, 2010
Net income (loss)	\$ (134)	\$ 115
Add:		
Future income tax expense	-	80
Amortization	623	635
Interest expense	163	35
Subtotal	786	750
Less:		
Future income tax recovery	57	-
Subtotal	57	-
EBITDA*	595	865

NET REVENUE

Gross revenues were \$17.4 million in the first quarter of fiscal 2012 compared to \$14.6 million in the first quarter of fiscal 2011. Net revenues for the first quarter of fiscal 2012 were \$8.1 million compared to \$7.0 million in the first quarter of fiscal 2011. Net revenues are calculated by deducting from gross revenues the costs of distribution fees paid to TBS and provincial liquor boards and production taxes.

With the harmonization of the Ontario sales tax and the implementation of the Beer & Wine Tax effective July 1, 2010, there is a reduction in total sales tax of 4%, with no change to the minimum retail prices. As a result, gross revenues have increased in comparison to the first quarter of fiscal 2011 when the combined Goods & Services Tax and Provincial Sales Tax was 17%. There is a corresponding increase in production taxes, resulting in an immaterial impact on net revenue per hectolitre. The above change in taxation will result in increased revenues during the first two quarters of fiscal 2012 in comparison to the comparative periods.

An increase in the sales volumes of the Company's beer brands as well as sales of the Seagram Coolers were key drivers for the increase in gross and net revenue in the first quarter of fiscal 2012 compared to the first quarter of fiscal 2011.

In the first quarter of fiscal 2012, the Company's overall sales volume was approximately 70,000 hectolitres, comprised of 20,000 hectolitres of co-packaged product and 50,000 hectolitres of Brick Brands (including Seagram Coolers sales volume).

BRICK BEER BRANDS

Brick Brands' sales volumes had continued growth during the first quarter of fiscal 2012 and increased by 12.4% from the first quarter of fiscal 2011's sales volumes. During the same period, the industry beer volumes decreased by approximately 7.6% (based on counter sales through TBS).

The Company experienced tremendous sales growth of its canned products in fiscal 2011. This trend continued in the first quarter of fiscal 2012 with canned beer sales volume growing by 132.6% over the same period in the prior year compared

to an increase of 33.8% in the first quarter of fiscal 2011. The Company implemented certain marketing initiatives to drive trial of its canned products and further increase sales volumes.

During the first quarter of fiscal 2012, the Laker family brand volumes increased by 25.8% over the same period in the prior year compared to a decline of 4.0% in the first quarter of fiscal 2011. The Company continued to focus on the Laker trademark during the quarter to build on the momentum achieved in fiscal 2011.

In the first quarter of fiscal 2012, the sales volumes of the Waterloo brands increased by 10.9% over the same period in the prior year compared to an increase of 10.7% in the first quarter of fiscal 2011.

In the first quarter of fiscal 2012 the Red Baron family of brands declined by 48.8% over the same period in the prior year compared to a decline of 13.4% in the first quarter of fiscal 2011. The Company's primary focus and efforts has been directed to the Laker family.

In the first quarter of fiscal 2012, the Company's packaged beer volume consisted of 3% in the premium beer category and 97% in the value beer category. The Company's draft beer volume represented approximately 1% of total Brick Brand beer volume. As at May 1, 2011, the Company's total market share by volume of TBS retail sales in Ontario was approximately 4% (May 2, 2010 – 4%).

SEAGRAM COOLERS BRAND

On March 16, 2011, the Company purchased the Canadian rights to the Seagram Coolers brand. As such, there is no comparative sales volume information in the first quarter of fiscal 2011. The Company is in the early stages of integration.

CO-PACKING ARRANGEMENTS

The volume of co-pack business decreased by 8.6% in the first quarter of fiscal 2012 compared to an increase of 38.1% in the first quarter of fiscal 2011. Excluding PC® products, sales volumes for the co-pack business increased by 6.9% during the first quarter of fiscal 2012.

PRODUCTION TAXES & DISTRIBUTION FEES

During the first quarter of fiscal 2012, the Company's production tax increased by 26.3% compared to the first quarter of fiscal 2011 as a result of increased production tax rates. Effective July 1, 2010, the Company no longer pays fees to the Alcohol & Gaming Commission of Ontario ("AGCO") and instead remits a Beer & Wine Tax to the Ontario Ministry of Revenue. The beer tax rate is higher than the previous rate paid to the AGCO by \$14.2 per hectolitre of beer; an increase of approximately 25%.

There was not a significant change in the rates for distribution fees during the first quarter of fiscal 2012 aside from regular annual increases and therefore, the cost of distribution fees remained consistent with the first quarter of fiscal 2011 at approximately 16% of gross revenues.

COST OF SALES

Cost of sales was \$6.4 million for the first quarter of fiscal 2012, an increase of \$1.0 million from the first quarter of fiscal 2011. Cost of sales represented 79.3% of net revenue in the first quarter of fiscal 2012 compared to 77.9% in the first quarter of fiscal 2011; an increase of 1.4%.

The increase in cost of sales in the first quarter of fiscal 2012 is attributable to increased maintenance costs associated with the Company's preparation for Global Food and Safety Initiative ("GFSI") certification as well as one-time transitional costs associated with the Seagram's Cooler acquisition. These costs total approximately \$0.2 million. The Company also completed a maintenance overhaul during the period. Excluding these one-time costs, cost of sales as a percentage of gross sales in the first quarter of fiscal 2012 is consistent with the first quarter of fiscal 2011.

SELLING, MARKETING AND ADMINISTRATION

In the first quarter of fiscal 2012, selling, marketing and administration expenses totalled \$1.6 million and represents an increase of \$0.3 million from the first quarter of fiscal 2011.

The Company receives funding from the Ontario Government under the Ontario Craft Brewers Opportunity Fund (the "Opportunity Fund") which was established in September 2008. The eligibility period ended on March 30, 2011 and as such, the Company's profit no longer reflects the benefit of the fund. The Company maintained its level of marketing activities versus a year ago and therefore, net marketing expenses have increased by approximately \$0.3 million.

The Company has a receivable of \$1.0 million, outstanding as at May 1, 2011. This has been presented with trade accounts receivable on the unaudited statement of financial position. The final payment of \$1.0 million is expected to be received in the third quarter of fiscal 2012.

As a percentage of net sales, selling, marketing and administration expenses were 19.2% for the first quarter ended May 1, 2011 compared to 18.1% for the first quarter ended May 2, 2010.

DEPRECIATION AND AMORTIZATION

For the first quarters ended May 2, 2010 and May 1, 2011, total depreciation and amortization expense was \$0.6 million.

INTEREST EXPENSE ON LONG-TERM DEBT

For the first quarter of fiscal 2012, interest on long term debt (finance costs) was \$0.2 million, compared to \$0.03 million during the first quarter of fiscal 2011. The Company received new term debt as well as increased its reliance on its operating line of credit as a result of the purchase of the Canadian rights to the Seagram Coolers brand. (Refer to the "Seagrams Coolers Brand" section of this MD&A for further discussion.) As such, interest expense is greater in the first quarter of fiscal 2012 in comparison to the same period in fiscal 2011.

FUTURE INCOME TAX RECOVERY/(PROVISION)

In the first quarter of fiscal 2012, the Company recorded an income tax recovery of \$0.06 million compared to a provision of \$0.08 million in the first quarter of fiscal 2011.

NET EARNINGS

For the quarter ended May 1, 2011, the Company had a net loss of \$0.1 million compared to net income of \$0.1 million for the quarter ended May 2, 2010. As noted above, the first quarter of fiscal 2012 includes one-time charges of approximately \$0.2 million relating to maintenance costs incurred to prepare for GFSI certification and transitional costs relating to the acquisition of the Seagram Coolers brand. Further, the Company is no longer receiving the benefit associated with the Opportunity Fund, for which approximately \$0.3 million was included in income in the first quarter of fiscal 2011.

Basic and diluted earnings per share for the quarter ended May 1, 2011 were both nil, compared with basic and diluted earnings per share of nil for the quarter ended May 2, 2010.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Company has an operating line of credit, term debt and one finance equipment lease. As at May 1, 2011, the Company is in compliance with its covenants to HSBC Bank Canada ("HSBC"). The Company expects to continue to be in compliance with these covenants at January 31, 2012.

In the first quarter of fiscal 2012, the Company replaced its outstanding long-term debt with new long-term debt with HSBC Bank Canada ("HSBC") as well as obtained an additional increase of \$1.5 million in the available line of credit. Refer to the "Seagrams Coolers Brand" section of this MD&A for further discussion.

The operating line of credit provides for a maximum of \$8.0 million credit (margined against accounts receivable and inventory of the Company) at an interest rate of prime plus 1.5%.

At May 1, 2011, the Company had bank indebtedness of \$3.5 million; an increase of \$3.1 million from January 31, 2011. The Company generated \$0.8 million of cash from operations. The Company received net proceeds of \$4.4 million of term debt as well as the \$3.1 million from its operating line of credit. These proceeds funded the purchase of \$7.6 million of intangible assets, including the acquisition of the Canadian rights to Seagram Coolers.

As at May 1, 2011, the Company had 28,182,660 common shares, 1,369,000 stock options and 5,729,165 warrants outstanding. Each stock option and warrant is exercisable for one common share.

The Company has a working capital deficit of \$1.5 million at May 1, 2011 compared to a positive working capital position of \$2.6 million at January 31, 2011. The working capital deficit is a result of the increased debt resulting from the Seagram Coolers acquisition.

Current assets of the Company were \$12.4 million at May 1, 2011 compared to \$8.7 million at January 31, 2011. Accounts receivable at May 1, 2011 includes the \$1.0 million relating to the Opportunity Fund discussed previously, under "Selling, Marketing, and Administration". Accounts receivable, excluding the marketing grant, increased by \$2.9 million (or 84%) in the first quarter of fiscal 2012 and is attributable to increased beer sales volume, and new receivables associated with Seagram Coolers.

The Company's balance of inventory at May 1, 2011 has increased by \$0.7 million from January 31, 2011 and is attributable to the Seagram Coolers inventory on hand.

Property, plant and equipment decreased by \$0.1 million at May 1, 2011 from January 31, 2011. The decrease is due to the purchase of \$0.5 million of capital assets offset by depreciation of \$0.6 million. The Company installed an additional can filler as a result of the increased demand for canned beer. Further, the Company had various capital expenditures in relation to preparing the Kitchener facility for GFSI certification.

Intangible assets increased by \$7.6 million during the first quarter of fiscal 2012. This is due to the purchase of the Canadian rights to the Seagram Coolers brand as well as the purchase of product listings (such as listings for 15-pack cans).

Future income taxes increased by \$0.06 million as at May 1, 2011 compared to January 31, 2011. The increase is the result of a loss being generated during the quarter. Management expects that the Company will utilize the losses carried forward as a result of the increased profitability of the Company, and as such, a valuation allowance is not required.

The Company's current liabilities were \$13.9 million at May 1, 2011 compared to \$6.1 million at January 31, 2011; an increase of \$7.8 million. The increase is due to the acquisition of the Canadian rights to the Seagram Coolers brand and

includes: increased reliance on the operating line of credit and increased term debt outstanding; amounts payable to Corby Distilleries Limited for the purchase of finished product; and the issuance of a promissory note of which \$0.6 is due within the next 12 months.

Long-term debt increased by \$4.4 million and obligations under finance leases decreased by \$0.1 million at May 1, 2011 compared to January 31, 2011. The increase in long-term debt is due to the new term debt received to finance the acquisition of the Canadian rights to the Seagram Coolers brand, as well as a promissory note payable to Corby Distilleries Limited.

CASH FLOW

The Company generated \$0.8 million in cash from operating activities in the quarter ended May 1, 2011, compared to \$2.4 million in the first quarter ended May 2, 2010. This decrease is mainly attributable to the payment of \$1.0 million of HST on the acquisition of the Canadian rights to the Seagram Coolers brand. This amount was recovered in the second quarter of fiscal 2012.

Investing activities used \$8.2 million in cash during the first quarter of fiscal 2012 compared to \$1.4 million in the first quarter of fiscal 2011. As noted above, on March 16, 2011, the Company acquired the Canadian rights to the Seagram Coolers brand for a purchase price of \$7.3 million.

Financing activities generated \$7.4 million of cash during the first quarter of fiscal 2012 compared to using \$1.0 million in the first quarter of fiscal 2011. The increase in cash from financing activities is directly related to the financing obtained for the Seagram Coolers acquisition.

The Company has an authorized operating line of credit of \$8.0 million at prime plus 1.5%. The Company is in compliance with the financial covenants required for the operating line of credit facility. At May 1, 2011, \$2.8 million was drawn on the operating line of credit. Bank indebtedness on the statement of financial position includes outstanding cheques.

COMMITMENTS

The Company utilizes several operating leases to finance office and computer equipment and software, warehouse and manufacturing equipment, and vehicles. The Company also leases the building in Kitchener where it has its warehousing and packaging operations. By entering into operating leases, the Company is able to update its equipment more frequently, not utilize its cash to invest in these assets and in so doing lower its overall average cost compared with purchasing the assets. All leases are evaluated at inception for appropriate accounting treatment. The total of the Company's future lease payments can be found in note 26 to the Company's unaudited financial statements for the quarter ended May 1, 2011.

The Company has other purchase commitments which include amounts for natural gas, syrup, malt, and packaging materials. A summary of the Company's contractual obligations for the next five years is as follows:

<i>(in thousands of dollars)</i>	Long-term debt	Capital lease	Operating leases	Other purchase commitments	Total
Due within one year	1,402	24	1,197	4,020	6,643
Due in one to five years	5,671	19	3,655	846	10,191
due in over five years	945	-	-	-	945
	8,018	43	4,852	4,866	17,779

The Company does not currently pay dividends on its common shares. At the present time, the Board of Directors of the Company believes that the cash flow of the Company should be reinvested to finance current activities.

RISK FACTORS, STRATEGIES AND OUTLOOK

Risk Factors

Licensing

The Company requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. The AGCO and the Canada Revenue Agency provide the necessary licensing approvals. The Company has permits to distribute beer in the province of Quebec. Management believes that the Company is in compliance with all licenses, permits and approvals.

Consumer preference/trends

The beer industry is highly competitive and has experienced an overall decline in beer sales over the past several years. In Ontario, a recent trend has been towards canned beer. Prior to fiscal 2011, the Company was underrepresented in cans. The installation of the canning line in fiscal 2010 has provided the Company with control over production and distribution and the result has been considerable growth in canned volume. The Company's excess canning capacity is approximately 40,000 hectolitres per year.

Pricing environment

The increase in the minimum retail price ("MRP") in fiscal 2009 reduced the price gap between value and mainstream brands, creating intense price competition throughout fiscal 2010. A further increase in the MRP for beer became effective April 12, 2010. The Company expects legislated price increases to continue in future years and further erode the price gap between value brands and mainstream brands. Management believes that the Company will stay relevant and profitable by delivering a product that is consistently superior in look and taste to other domestic brands with comparable price. The Company will continue to mitigate ongoing pressure on beer volumes by actively pursuing co-packing contracts that provide incremental volume and gross margin. As required, profits from co-pack arrangements will be reinvested in selling and marketing initiatives to maintain brand loyalty and relevance of Laker, Red Baron and Waterloo trademarks.

Government grant for marketing

The last period of eligibility for the Opportunity Fund was April 1, 2010 to March 31, 2011. The income recognized from this initiative will not extend beyond March 31, 2011, with the final cash payment expected in October 2011. There can be no assurance that this government grant, designed to support Ontario microbrewers, will continue and therefore the operating cash flow required to deliver a similar marketing investment in future years must increase by approximately \$1 million. Management expects that additional cost cutting measures and incremental co-packaging arrangements will provide the cash flow required to fill this gap.

Quality

With the backdrop of intense price competition driven by MRP changes, the quality of the Company's product is more important than ever. In addition to packaging upgrades in recent quarters, the Company has been measuring and demonstrating tremendous improvement in key areas of quality control. Management continues to work diligently to improve overall product quality and consistency delivered to the consumer. The receipt of another four medals (including a gold medal for Red Baron) at the Ontario Brewing Awards in May 2011 is a testament to the quality of the Company's product. The Company was awarded four medals, including two Gold medals, at the Ontario Brewing Awards in 2010. The Company also achieved four medals at the 8th Annual Canadian Brewing Awards held on September 24, 2010.

The Company is embarking on a new initiative to meet Hazard Analysis Critical Control Point (“HACCP”) requirements and to become a Canadian industry leader through accreditation with a Global Food Safety Initiative certification.

The Beer Store

TBS is owned by larger international competitors. In fiscal 2011, TBS imposed payment term changes that were punitive and without consultation with small brewers in Ontario. The Company will work hard with other brewers and the government to ensure that TBS policy changes going forward are equitable and done in consultation with all interested parties.

Availability of financing

The Company requires continued support from its lenders to maintain its financial condition. The loss of this support could limit expansion opportunities and put strain on the Company’s continuing operations. The ability to maintain current arrangements and secure future financing will depend, in part, upon the prevailing capital market conditions as well as the Company’s business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms.

Strategy

“Fix, Fill and Optimize”

The Company’s future growth and profitability will depend on management’s ability to “fix, fill, and optimize”. Volume growth is the essential ingredient to maximize the value of these cost reduction strategies. In fiscal 2012, the Company is continuing to focus on the “fill” element of the Company’s growth strategy.

On March 16, 2011, the Company announced that it entered into an agreement with Corby Distilleries Limited (“Corby”) and purchased the Canadian rights to the Seagram Coolers brand. The Seagram Coolers brands complement and expand Brick’s portfolio and will strongly position the Company for growth in both the beer and cooler categories. During the first year of integration, management expects Seagram Coolers to utilize less than 10% of the excess capacity and contribute approximately \$1.0 million of EBITDA*. Seagram Coolers are available across Canada and the transaction allows Brick to fast forward other plans for national distribution and sales.

Filling the excess capacity of 200,000 hectolitres with co-pack business can deliver between \$2 million and \$6 million of incremental annual cash flows. Filling the excess capacity with Brick brand volume can deliver incremental cash flows ranging from \$4 million to \$10 million. At peak capacity, reinvestment in capital expenditures and marketing will range between \$1 million and \$3 million.

The optimization component of the Company’s strategy involves maximizing the EBITDA impact of filling the organization and will be achieved by securing larger and more profitable co-pack contracts over time and by making appropriate reinvestment in the Brick Brands to drive organic growth at margins which are superior to co-packing business.

The Company is focused on maintaining the momentum achieved through fiscal 2011 and anticipates Brick Brand growth of approximately 5% in fiscal 2012. Co-pack volumes are expected to increase modestly over fiscal 2012 as a reduction in PC volumes will be offset by volumes pursuant to new co-packaging arrangements and the Seagram Coolers brand.

Management is forecasting Seagram Cooler brand volume of 20,000 HL for fiscal 2012. Beyond fiscal 2012, which management views as the integration period, expected cost synergies will range from \$0.2 to \$0.5 million. Double-digit volume growth is achievable post fiscal 2012 through development of new packaging formats or beverage styles. The Company has considerable production capability and flexibility that will be a competitive advantage in the cooler market.

SUMMARY OF QUARTERLY RESULTS

\$('000's)	Q1 2012 ⁽²⁾	Q4 2011 ⁽²⁾	Q3 2011 ⁽²⁾	Q2 2011 ⁽²⁾	Q1 2011 ⁽²⁾	Q4 2010 ⁽¹⁾	Q3 2010 ⁽¹⁾	Q2 2010 ⁽¹⁾
Net Revenue	8,133	6,911	7,112	9,111	6,971	5,679	7,280	9,316
Selling, marketing & administration	1,565	1,210	1,117	1,295	1,265	920	1,067	1,189
EBITDA*	595	386	1,052	2,014	865	(131)	717	1,308
Net Income	(134)	1,470	230	929	115	228	237	456
EPS (Basic)	-	\$ 0.06	\$ 0.01	\$ 0.03	\$ -	\$ 0.01	\$ 0.01	\$ 0.02
EPS (Diluted)	-	\$ 0.06	\$ 0.01	\$ 0.03	\$ -	\$ 0.01	\$ 0.01	\$ 0.02

(1) amounts presented are prepared under Canadian GAAP

(2) prepared in accordance with IFRS

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's accounting policies are discussed in detail within note 6 to the Company's first quarter fiscal 2012 financial statements.

TRANSITION TO IFRS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publically accountable entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. In response to this requirement, the Company transitioned to IFRS on February 1, 2010 ("date of transition") and prepared its opening IFRS statement of financial position on that date. The Company has prepared its first interim financial statements for the quarter ended May 2, 2011, including the restatement of fiscal 2011 comparative information in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The Company will issue its first annual IFRS financial statements for the year ending January 31, 2012 (fiscal 2012), which will include the comparative period ending January 31, 2011.

The Company's first interim financial statements for the period ended May 1, 2011 have not been audited or reviewed by the Company's external auditor. Note 5 of the May 1, 2011 interim financial statements provides a complete list of the Company's IFRS 1 mandatory exceptions and optional exemptions from full retrospective application of IFRS. Note 5 also provides financial statement users with detailed reconciliations between the Company's CGAAP and IFRS equity as at February 1, 2010, May 2, 2010 and January 31, 2011; and comprehensive income for the quarter and year ending May 2, 2010 and January 31, 2011, respectively.

IFRS ACCOUNTING POLICIES

The Company's interim financial statements for the quarter ended May 1, 2011 have been prepared in accordance with IAS 34, Interim Financial Reporting, using the IFRS standards and interpretations currently issued and expected to be effective at the end of the Company's first annual IFRS reporting period of January 31, 2012. Accounting policies currently adopted under IFRS are subject to change as a result of either new standards being issued with an effective date of January 31, 2012 or prior, or as a result of a voluntary change in accounting policy made by the Company during fiscal 2012. A change in an accounting policy used may result in material changes to the Company's reported financial position, results of operations and cash flows.

IFRS PROJECT STRUCTURE - RECAP

The Company established a Project Team (the “Team”) to oversee its transition from CGAAP to IFRS. The Team consisted of key members of management, with representation from both finance and operational disciplines within the organization.

The Company also established a Technical Group comprised of finance personnel, to evaluate and conclude on accounting policy decisions and technical accounting issues.

To date, the IFRS project has progressed according to plan. Management is not aware of any matters that would prevent the Company from meeting its filing requirements during fiscal 2012.

Impact on information technology and data systems

There were no significant impacts to the Company’s existing information technology and data systems (“IT”) as a result of transitioning from CGAAP to IFRS.

Impact on internal controls over financial reporting and disclosure controls and procedures

In accordance with its conversion plan, the Company reviewed and evaluated its internal controls over financial reporting, including its disclosure controls and procedures. Where required, these controls were updated to ensure that they are appropriate for reporting under IFRS.

Financial reporting expertise

To date, the Team has received detailed technical accounting guidance and training internally on the key differences between CGAAP and IFRS as they apply to significant items impacting the organization.

The Company’s finance group continues to receive training on a regular basis to ensure that they have the required understanding of new processes, policies and emerging technical and compliance matters.

The Company’s Board of Directors and Audit Committee have been informed of the major differences between CGAAP and IFRS and are regularly updated on the progress of the IFRS project.

Business activities

To date, the transition to IFRS has had the following impacts on the Company’s business activities:

Key finance and operational personnel have been educated on the accounting requirements relating to leases and financial instruments so that the accounting implications of contractual arrangements are appropriately understood when negotiating and entering into new agreements.

The Company has reviewed the terms of its financial covenants as a result of the transition to IFRS. Senior management are aware that any future arrangements must include an analysis of IFRS’ impact on these arrangements.

RELATED PARTY TRANSACTIONS

The Company’s related party transactions are discussed in note 28 to the Company’s unaudited financial statements for the quarter ended May 1, 2011.

The Company's transportation service provider, Laidlaw Carriers Van LP, is subject to significant influence by one of the Company's directors. This vendor provided distribution services to the Company during the first quarter of fiscal 2012 and fiscal 2011 aggregating to \$0.1 million. As at May 1, 2011, the Company owed this vendor \$0.05 million (first quarter ended May 2, 2010 - \$0.04 million).

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

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with IFRS, which requires management to make estimates, judgments, and assumptions that it believes are reasonable, based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Management also evaluates its estimates on an ongoing basis. Actual results could differ from those estimates.

Property, plant and equipment

The accounting for property, plant and equipment requires that management make estimates involving the life of the assets, the selection of an appropriate method of depreciation and determining whether an impairment of assets exists.

The Company reviews the residual values, useful lives of depreciable assets and depreciation method on an annual basis and where revisions are made, the Company applies such changes in estimates on a prospective basis.

The net carrying amounts of property, plant and equipment are reviewed for impairment either individually or at the cash-generating unit level at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. To the extent that an asset's carrying amount exceeds its recoverable amount, the excess is fully provided for in the period in which it is determined to be impaired. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, an impairment of these assets and a related write-down may result. As at the date of this report, the Company believes that its estimates are materially correct.

Returnable containers

Returnable containers are recorded at cost net of deposit liabilities and are amortized over their useful lives. To estimate useful life, management use historical trends and internal studies to obtain a reasonable estimate of the rates of return and usage. Actual results may vary from these estimates. As at the date of this report, the Company is not aware of any facts or circumstances that would cause it to believe that the estimates used are materially incorrect.

Intangible assets

Indefinite life intangible assets consist of trademarks and listings. These assets are recorded at cost and are not amortized but instead are reviewed for impairment at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An

asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, an impairment of these assets and a related write-down may result. When a product is delisted, the Company removes the related asset from the balance of intangibles. As at the date of this report, the Company believes that its estimates are materially correct.

Deferred income tax assets

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred income tax assets are reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. There is uncertainty in management's estimation of probable as it is based upon underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. As at the date of this report, the Company believes that its estimates are materially correct.

Share-based reserves: share-based payments

The Company recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the option plan. Stock based compensation expense recognized during the quarters ended May 1, 2011 and May 2, 2010 was \$0.01 million in both periods. Assumptions regarding expected stock volatility and risk free interest rates are required to calculate the fair value of the consideration received.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Given the uncertainty surrounding the nature of the underlying provision, actual results may vary from the estimates made by management. As at the date of this report, the Company believes that its estimates are materially correct.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer, Chief Technical Officer and Chief Financial Officer (collectively, the "Officers") are responsible for establishing and maintaining disclosure controls and procedures as defined under Multilateral Instrument 52-109 for the Company. Management has designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to management by others within the Company. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of May 1, 2011 and has concluded that such procedures were effective, subject to the matters identified below under "Internal Control Over Financial Reporting", in providing such reasonable assurance as of such date and for the quarter then ended.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of its financial statements in accordance with IFRS.

The Company’s internal control over financial reporting includes those policies and procedures that:

- pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Internal controls over financial reporting, no matter how well designed have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company’s internal control over financial reporting as of May 1, 2011, based on the criteria set forth in the “Internal Control – Integrated Framework” issue by the Committee of Sponsoring Organization of the Treadway Commission (“COSO”). Based on this assessment, management has concluded that internal control over financial reporting was effective as of May 1, 2011.

In the course of evaluating its ICFR as at May 1, 2011, the Officers identified a disclosable weakness in the area of segregation of duties, caused by limited staffing resources. Specifically, given the size of the Company’s staffing levels, certain duties within the accounting and finance department cannot be properly segregated. As a result there are identifiable instances where personnel had the ability to initiate transactions or accounting entries within certain financial reporting applications that may not be compatible with their other roles and responsibilities. However, none of the segregation of duty or access control deficiencies resulted in a misstatement to the financial statements as the Company relies on certain compensating controls, including substantive periodic review of the financial statements by the Officers and Audit Committee. This weakness is reported in accordance with National Instrument 52-109 and is considered to be a common area of deficiency for many smaller listed companies in Canada.

FINANCIAL INSTRUMENTS

The main risks arising from the Company’s financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. These risks are from exposures that occur in the normal course of business and are managed by the Executive Team, consisting of the Officers of the Company. The responsibilities of the Executive Team include the recommendations of policies to manage financial instrument risk.

The overall objective of the Executive Team is to effectively manage credit risk, liquidity risk and other market risks in accordance with the Company’s strategy. Other responsibilities of the Executive Team include management of the Company’s cash resources and debt funding programs, approval of counter-parties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the Company.

The Company's significant financial instruments comprise of cash and cash equivalents, bank indebtedness, finance leases, and long term debt and promissory notes. The main purpose of these financial instruments is to finance the Company's growth and ongoing operations. The Company has various other financial assets and liabilities such as accounts receivables and accounts payables, which arise directly from its operations.

Subsequent to the first quarter ended May 1, 2011, the Company entered into an interest rate swap agreement ("swap") under the terms of its term loan from HSBC Bank Canada, whereby it fixed \$2,900,000 of the original term loan at a fixed rate of 7.2%.

The Company enters into contracts involving non-financial items for the purchase of raw materials and packaging supplies. These contracts are held for the purposes of the receipt or delivery of a non-financial item in accordance with the Company's expected usage requirements.

A portion of the Company's purchases are in U.S. dollars. The Company does not sell any of its products in U.S. funds.

The Company uses significant quantities of malt and hops. The Company uses fixed price contracts of less than one year to reduce the price exposures on these commodities. The Company has secured its required supply of malt and hops for fiscal 2012 and has entered into fixed price contracts, the balance of which are disclosed in the commitments schedule included in this MD&A.

SHARE CAPITAL

The Company has authorized an unlimited number of preferred shares. No preferred shares are issued.

The Company has authorized an unlimited number of common shares.

The Company has issued stock options to certain officers and key employees. The options may be exercised during periods of up to five years following the date of issue, at a price equal to the weighted average closing market price during the five days immediately preceding the date granted.

Each stock option and warrant is exercisable for one common share at prices ranging from \$0.65 to \$1.09.

The Company has issued 5,729,165 common share purchase warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.71 for a five-year period from the date of closing and contains standard anti-dilution provisions.

The total number of common shares, warrants, and stock options outstanding as of June 8, 2011 is as follows:

Number of shares	Number of warrants	Number of options
28,182,660	5,729,165	1,369,000

* EBITDA is a non-IFRS earnings measure, therefore it does not have any standardized meaning prescribed by International Financial Reporting Standards 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.

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FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the quarters ended May 1, 2011 and May 2, 2010

(Not audited or reviewed by the Company's external auditor)

	Notes	Quarter ended May 1, 2011	Quarter ended May 2, 2010 [note 5]
Revenue	7	\$ 8,132,603	\$ 6,971,144
Cost of sales	8	6,450,465	5,432,274
Gross profit		1,682,138	1,538,870
Selling, marketing and administration expenses	8	1,564,725	1,264,641
Other expenses	8, 9	145,695	44,450
Finance costs, net	10	162,997	34,770
Profit/(loss) before tax		(191,279)	195,009
Income tax expense/(benefit)	11	(57,000)	80,000
Profit/(loss) for the period		(134,279)	115,009
Total comprehensive income/(loss) for the period		\$ (134,279)	\$ 115,009
Basic earnings per share	19	-	-
Diluted earnings per share	19	-	-

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at May 1, 2011, January 31, 2011 and February 1, 2010
(Not audited or reviewed by the Company's external auditor)

	Notes	May 1, 2011	January 31, 2011 [note 5]	Date of Transition to IFRS February 1, 2010 [note 5]
ASSETS				
Non-current assets				
Property, plant and equipment	12	\$ 18,288,245	\$ 18,372,020	\$ 17,637,515
Intangible assets	13	13,678,383	6,062,187	5,731,954
Other assets		80,000	45,000	188,871
Deferred income tax assets	11	2,930,000	2,873,000	1,600,000
		34,976,628	27,352,207	25,158,340
Current assets				
Accounts receivable	14, 15	7,466,962	4,519,591	2,357,069
Inventories	16	4,551,613	3,885,240	3,470,263
Prepaid expenses		385,076	321,899	412,351
		12,403,651	8,726,730	6,239,683
TOTAL ASSETS		47,380,279	36,078,937	31,398,023
LIABILITIES AND EQUITY				
Equity				
Share capital	17	34,624,528	34,598,668	34,678,264
Share-based payments reserves	18	941,159	933,323	845,113
Retained earnings/(deficit)		(8,915,643)	(8,781,364)	(11,525,275)
TOTAL EQUITY		26,650,044	26,750,627	23,998,102
Non-current liabilities				
Provisions	20	173,655	170,908	160,581
Long-term debt and promissory note	21	6,616,460	3,026,731	1,158,395
Obligations under finance leases	22	18,517	24,650	138,106
		6,808,632	3,222,289	1,457,082
Current liabilities				
Bank indebtedness	23	3,497,044	371,543	1,792,406
Accounts payable and accrued liabilities	24	8,997,947	4,948,039	3,187,915
Current portion of long-term debt and promissory note	21	1,402,200	624,000	816,100
Current portion of obligations under finance leases	22	24,412	162,439	146,418
		13,921,603	6,106,021	5,942,839
TOTAL LIABILITIES		20,730,235	9,328,310	7,399,921
TOTAL LIABILITIES AND EQUITY		\$ 47,380,279	\$ 36,078,937	\$ 31,398,023

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

As at May 1, 2011, January 31, 2011 and February 1, 2010

(Not audited or reviewed by the Company's external auditor)

	Notes	Share Capital			Share based payments reserve	Retained earnings/(deficit)	Total equity
		Number of Shares	Number of Warrants	Amount (\$)			
Date of Transition to IFRS, February 1, 2010	5	28,120,385	5,729,165	34,678,264	845,113	(11,525,275)	23,998,102
Profit/(loss) for the period		-	-	-	-	115,009	115,009
Total adjustments to comprehensive income		-	-	-	-	115,009	115,009
Share-based payments	18	-	-	-	22,052	-	22,052
At May 2, 2010	5	28,120,385	5,729,165	34,678,264	867,165	(11,410,266)	24,135,163
Profit/(loss) for the remainder of the year		-	-	-	-	2,628,902	2,628,902
Transaction costs		-	-	(100,000)	-	-	(100,000)
Total adjustments to comprehensive income		-	-	(100,000)	-	2,628,902	2,528,902
Shares issued	18	31,275	-	19,704	-	-	19,704
Stock options exercised	18	1,000	-	700	-	-	700
Share-based payments	18	-	-	-	66,158	-	66,158
At January 31, 2011	5	28,152,660	5,729,165	34,598,668	933,323	(8,781,364)	26,750,627
Profit/(loss) for the year		-	-	-	-	(134,279)	(134,279)
Total adjustments to comprehensive income		-	-	-	-	(134,279)	(134,279)
Stock options issued	18	-	-	-	708	-	708
Stock options exercised	18	30,000	-	25,860	(4,860)	-	21,000
Share-based payments	18	-	-	-	11,988	-	11,988
At May 1, 2011		28,182,660	5,729,165	34,624,528	941,159	(8,915,643)	26,650,044

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the quarters ended May 1, 2011 and May 2, 2010

(Not audited or reviewed by the Company's external auditor)

	Quarter ended May 1, 2011	Quarter ended May 2, 2010 [note 5]
Operating activities		
Profit/(loss) for the period	(134,279)	115,009
Adjustments for:		
Income tax expense /(benefit)	(57,000)	80,000
Finance costs, excluding accretion	160,249	32,188
Notional interest representing accretion	2,748	2,582
Unrealized foreign exchange (gain)/loss	(13,489)	(34,140)
Depreciation and amortization of property, plant and equipment and intangibles	617,613	635,159
Share-based payments	12,696	22,052
Change in non-cash working capital related to operations	322,494	1,600,432
Less:		
Interest paid	(96,268)	(32,087)
Cash provided by/(used in) operating activities	814,764	2,421,195
Investing activities		
Purchase of property, plant and equipment	(524,421)	(1,447,259)
Purchase of other assets	(35,000)	92,477
Purchase of intangible assets	(7,625,613)	(29,389)
Cash provided by/(used in) investing activities	(8,185,034)	(1,384,171)
Financing activities		
Increase/(decrease) in bank indebtedness	3,125,501	(936,966)
(Decrease)/increase in obligations under finance leases	(144,160)	(41,708)
Increase/(decrease) in long term debt	4,367,929	(58,350)
Stock options and warrants exercised	21,000	-
Cash provided by/(used in) financing activities	7,370,270	(1,037,024)
Net increase/(decrease) in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	-	-

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

(Not audited or reviewed by the Company's external auditor)

1. CORPORATE INFORMATION
2. DATE OF AUTHORIZATION FOR USE
3. BASIS OF PRESENTATION
4. USE OF ESTIMATES AND JUDGMENT
5. TRANSITION TO IFRS
6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
7. REVENUE
8. EXPENSES BY NATURE
9. OTHER EXPENSES
10. FINANCE COSTS
11. INCOME TAXES
12. PROPERTY, PLANT & EQUIPMENT
13. INTANGIBLE ASSETS
14. ACCOUNTS RECEIVABLE
15. GOVERNMENT GRANT
16. INVENTORIES
17. SHARE CAPITAL
18. SHARE-BASED PAYMENTS
19. EARNINGS PER SHARE
20. PROVISIONS
21. LONG TERM DEBT
22. OBLIGATIONS UNDER FINANCE LEASES
23. BANK INDEBTEDNESS
24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
25. FINANCIAL INSTRUMENTS
26. OPERATING LEASES
27. COMMITMENTS
28. RELATED PARTY TRANSACTIONS
29. COMPARATIVES
30. SUBSEQUENT EVENTS

1. CORPORATE INFORMATION

Brick Brewing Co. Limited (“Brick” or the “Company”) is a Canadian-owned and Canadian-based publically held brewery incorporated in Canada. Brick’s shares are listed on the Toronto Stock Exchange under the symbol “BRB”. Brick’s head office is located in Waterloo, Ontario at 181 King Street South, N2J 1P7.

The Company’s primary business relates to the production and distribution of alcohol-based products. To this end, the Company operates three Ontario-based facilities and serves primarily the Ontario market. Brick’s products are distributed to end consumers primarily through The Beer Store and Provincial Liquor Boards in Canada.

2. DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the Company were authorized for issue on June 8, 2011 by the Company’s Board of Directors.

3. BASIS OF PRESENTATION

3.1. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These are the Company’s first IFRS condensed interim financial statements; the Company has previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). These condensed interim financial statements are for part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”) has been applied in conjunction with the accounting policies in note 6. The condensed interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 5.

3.2. BASIS OF MEASUREMENT

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these financial statements is cost, net realizable value, fair value or recoverable amount.

3.3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency. All values are presented in actual dollars unless otherwise stated.

3.4. SEASONALITY

The alcoholic beverage industry in Canada is seasonal in nature for companies like Brick. Accordingly, Brick has historically experienced a seasonal pattern in its operating results, with the first and last quarters historically exhibiting lower revenues. Therefore, the results in any one quarter are not indicative of results in any other quarter, or for the year as a whole.

4. USE OF ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of revenue, expenses, assets, liabilities and disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of

making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and may result in a material adjustment to the related asset or liability.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Although each of its significant accounting policies reflects judgments, estimates or assumptions, the Company believes that the following accounting balances involve a greater degree of uncertainty: property, plant and equipment, intangible assets, deferred income taxes, inventories, share based payment reserves and provisions.

5. TRANSITION TO IFRS

The Company transitioned to IFRS on February 1, 2010 (“date of transition”) and prepared its opening IFRS statement of financial position on that date. The reporting date for these interim financial statements is May 1, 2011, with the Company’s IFRS adoption date being February 1, 2011.

The accounting policies in note 6 have been applied in preparing these financial statements for the quarter ended May 1, 2011, the comparative information presented in these financial statements for the quarter ended May 2, 2010, the date of transition February 1, 2010, and the year ended January 31, 2011.

In preparing these interim financial statements in accordance with IFRS 1, the Company has considered the mandatory exceptions (a through d) and optional exemptions (e through s) from full retrospective application of IFRS, and where applicable, has applied them as follows:

(a) Accounting estimates

The Company’s estimates in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with CGAAP (after adjustments to reflect any differences in accounting policies), unless there is objective evidence that those estimates were in error.

(b) Derecognition of financial assets and financial liabilities

A first-time adopter is required to apply the derecognition rules in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) prospectively from January 1, 2004 unless it chooses to apply the derecognition rules of IAS 39 retrospectively from a date of its choosing.

The Company has applied the derecognition requirements under IAS 39 prospectively for transactions occurring on or after January 1, 2004.

(c) Hedge accounting

A hedging relationship will only qualify for hedge accounting at the date of transition if the hedging relationship has been fully designated and documented as effective in accordance with IAS 39 on or before the date of transition and is of a type that qualifies for hedge accounting under IAS 39. On first-time adoption, Hedge Accounting under IAS 39 can be applied prospectively only from the date that the hedge relationship is fully designated and documented subject to all other hedge accounting requirements of IAS 39 being met.

The Company has not designated any hedging relationships and does not use hedge accounting. Accordingly, this exception is not applicable.

(d) Non-controlling interests

IFRS 1 requires that a first-time adopter apply the following requirements of IAS 27, Consolidated and Separate Financial Statements (“IAS 27”), prospectively from the date of transition to IFRSs:

- the requirement that total comprehensive income be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
- the requirements regarding the accounting for changes in the parent’s ownership interest in a subsidiary that do not result in a loss of control; and
- the requirements regarding the accounting for a loss of control over a subsidiary, and the related requirements in paragraph 8A of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

The Company does not have any non-controlling interest. Accordingly, this exception is not applicable.

(e) Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the date of transition to IFRS. The retrospective basis would require restatement of all business combinations that occurred prior to February 1, 2010.

The Company will apply the IFRS 1 exemption for Business Combinations prospectively from the date of transition.

(f) Share-based payments

For equity-settled transactions, IFRS 1 includes two exemptions:

- first-time adopters are not required to apply IFRS 2, Share-based Payment (“IFRS 2”) for equity-settled share-based payments granted on or before November 7, 2002; and
- first-time adopters are not required to apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the date of transition to IFRSs.

The Company has elected to apply IFRS 2 to equity instruments that were granted subsequent to November 7, 2002 and which vested prior to February 1, 2010. As such, the Company has not taken the election provided by IFRS 1.

(g) Insurance contracts

IFRS 4, Insurance Contracts (“IFRS 4”) allows entities to continue to use their existing accounting policies for liabilities arising from insurance contracts as long as the existing policies meet certain minimum requirements as set out in IFRS 4. IFRS 1 provides an optional exemption whereby an entity issuing insurance contracts (an insurer) may elect upon first-time adoption to apply the transitional provisions of IFRS 4.

The Company does not hold any contracts that fall within the scope of IFRS 4. Accordingly, this exemption is not applicable.

(h) Deemed costs

IFRS 1 includes an optional exemption that relieves first-time adopters from the requirement to recreate cost information for property, plant and equipment, investment property and intangible assets. When the exemption is applied, deemed cost is the basis for subsequent depreciation and impairment tests.

The Company has elected to measure certain items of property, plant and equipment at fair value as at February 1, 2010. The application of this exemption is detailed further within this note.

(i) Leases

IFRIC 4, Determining Whether an Arrangement Contains a Lease (“IFRIC 4”), specifies criteria for determining, at the inception of an arrangement, whether the arrangement contains a lease. It also specifies when an arrangement should be reassessed subsequently. IFRS 1 provides an exemption from these requirements. Instead of determining retrospectively whether an arrangement contains a lease at the inception of the arrangement and subsequently reassessing that arrangement as required in the periods prior to transition to IFRSs, entities may determine whether arrangements in existence on the date of transition to IFRSs contain leases on the basis of the facts and circumstances existing at the date of transition.

The Company has elected to apply the exemption provided by IFRS 1. As such, the Company will determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. There was no impact to the Company as a result of the application of this exemption.

(j) Employee benefits

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, Employee Benefits (“IAS 19”), for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under CGAAP in opening retained earnings at the date of transition.

The Company does not have any employee benefit plans that fall within the scope of IAS 19. Accordingly, this exemption is not applicable.

(k) Cumulative translation differences

A first-time adopter may elect not to calculate the translation difference related to foreign operations retrospectively. Instead, an entity may reset translation differences at the date of transition, determined in accordance with previous GAAP, to zero. The requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates, are then applied prospectively from the date of transition. The gain or loss on subsequent disposal of a foreign operation will only include foreign exchange differences that arose after the date of transition.

The Company does not have any cumulative translation differences. Accordingly, this exemption is not applicable.

(l) Investments in subsidiaries, jointly controlled entities and associates

IFRSs do not require entities to prepare separate financial statements. The requirement for entities to produce separate financial statements and the basis on which they should be prepared is generally a matter of legislation in the jurisdiction in which the entity is established. If an entity prepares separate financial statements under IFRSs, IAS 27 requires it to account for its investments in subsidiaries, jointly controlled entities and associates at either cost or in accordance with IAS 39.

The Company does not have any investments in subsidiaries, jointly controlled entities or associates. Accordingly, this exemption is not applicable.

(m) Assets and liabilities of subsidiaries, associates and joint ventures

This exemption deals with the requirements of IFRS 1 where a parent and a subsidiary become first-time adopters at different dates. These requirements do not apply when the dates of adoption are the same. When the dates of adoption are the same, the parent and the subsidiary may apply the exemptions in IFRS 1 independently of each other; they are not required to take the same exemptions.

In line with (l) above, this exemption is not applicable.

(n) Compound financial instruments

IFRS 1 requires a first-time adopter to apply IAS 32, Financial Instruments: Presentation (“IAS 32”), retrospectively and separate all compound financial instruments into a debt and equity portion. The classification of the components is based on the substance of the contractual arrangement at the date when the instrument first satisfied the criteria for recognition in IAS 32 without considering events subsequent to that date (other than changes to the terms of the instrument). The carrying amounts of the components are determined on the basis of circumstances existing when the instrument was issued and in accordance with IAS 32.

The Company does not hold any compound financial instruments. Accordingly, this exemption is not applicable.

(o) Designation of previously recognized financial instruments

An entity is permitted to designate any financial asset, other than an asset that meets the definition of ‘held for trading’, as an ‘available-for-sale’ financial asset at the date of transition to IFRSs. A first-time adopter of IFRSs must de-designate financial assets and financial liabilities that under previous GAAP were designated as ‘at fair value through profit or loss’ if they do not qualify for such designation under IAS 39.

The Company has elected to not apply the designation exemption provided by IFRS 1 for previously recognized financial instruments. Accordingly, the designations made under CGAAP have remained in place upon transition to IFRS.

(p) Fair value measurement of financial assets or financial liabilities at initial recognition

Because all financial assets and financial liabilities must be initially recognized at fair value, an entity must consider the specific guidance in IAS 39 on fair value when determining the carrying amount of financial assets and financial liabilities at the date of transition to IFRSs. This applies even if the financial asset or financial liability is not subsequently measured at fair value, because fair value at initial recognition will be the opening carrying amount at the date of transition to IFRSs.

The Company has elected to not apply the exemption provided by IFRS 1 for fair value measurement of financial assets and liabilities at initial recognition.

(q) Decommissioning liabilities included in the cost of property, plant and equipment

Under IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities (“IFRIC 1”), specified changes in a decommissioning, restoration or similar liability are added to or deducted from the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

The exemption provided in IFRS 1 from full retrospective application of IFRIC 1 has been applied to determine the adjustment required to property, plant and equipment in respect of the obligation relating to decommissioning the Company’s leased distribution facility. The implications of this exemption are detailed further within this note.

(r) Financial assets or intangible assets accounted for in accordance with IFRIC 12, Service Concession Arrangements (“IFRIC 12”)

An optional exemption relating to IFRIC 12 is available under IFRS 1. The exemption makes the transitional provisions included in the Interpretation available to first-time adopters of IFRSs.

The Company does not have any arrangements that fall into the “service concession” scope. Accordingly, the exemption is not applicable.

(s) Borrowing costs

IAS 23, Borrowing Costs (“IAS 23”) prescribes the accounting treatment for borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are expensed as incurred. IFRS 1 provides an exemption from full retrospective application of IAS 23.

The Company has elected to apply the transitional provisions of IAS 23 from the date of transition to IFRS. There was no impact to the Company as a result of the application of this exemption.

5.1. IMPACT OF TRANSITION TO IFRS

The impact of transitioning to IFRS is presented as follows:

- I. Reconciliation of the statement of financial position as at February 1, 2010 (“date of transition”);
- II. Reconciliation of equity as at the date of transition;
- III. Explanatory notes to the reconciliations in I and II.
- IV. Reconciliation of the statement of financial position as at May 2, 2010 (“comparative interim period presented under CGAAP”);
- V. Reconciliation of equity as at the date of the comparative interim period presented under CGAAP;
- VI. Reconciliation of the statement of comprehensive income for the quarter ended May 2, 2010;
- VII. Explanatory notes to the reconciliations in IV, V and VI.
- VIII. Reconciliation of the statement of financial position as at January 31, 2011 (“end of last period presented under CGAAP”);
- IX. Reconciliation of equity as at the end of the last period presented under CGAAP;
- X. Reconciliation of the statement of comprehensive income for the year ended January 31, 2011;
- XI. Explanatory notes to the reconciliations in VIII, IX and X.

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however, as there have been no changes to net cash flows, no reconciliations have been presented.

I. The effect on the Company's statement of financial position as at February 1, 2010 is as follows:

	Notes	Canadian GAAP [restated]	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment	a,b,d	\$ 14,101,122	\$ 3,536,393	\$ 17,637,515
Intangible assets		5,731,954	-	5,731,954
Other assets		188,871	-	188,871
Deferred income tax assets	e	1,034,000	566,000	1,600,000
		21,055,947	4,102,393	25,158,340
Current assets				
Accounts receivable		2,357,069	-	2,357,069
Inventories	d	5,251,714	(1,781,451)	3,470,263
Prepaid expenses		412,351	-	412,351
Deferred income tax assets	e	566,000	(566,000)	-
		8,587,134	(2,347,451)	6,239,683
TOTAL ASSETS		\$ 29,643,081	\$ 1,754,942	\$ 31,398,023
LIABILITIES AND EQUITY				
Equity				
Share capital		\$ 34,678,264	\$ -	\$ 34,678,264
Share-based payments reserves	c	772,455	72,658	845,113
Retained earnings/(deficit)		(13,046,978)	1,521,703	(11,525,275)
		22,403,741	1,594,361	23,998,102
Non-current liabilities				
Provisions	a	-	160,581	160,581
Long-term debt and promissory note		1,158,395	-	1,158,395
Obligations under finance leases		138,106	-	138,106
		1,296,501	160,581	1,457,082
Current liabilities				
Bank indebtedness		1,792,406	-	1,792,406
Accounts payable and accrued liabilities		3,187,915	-	3,187,915
Provisions		-	-	-
Current portion of long-term debt and promissory note		816,100	-	816,100
Current portion of obligations under finance leases		146,418	-	146,418
		5,942,839	-	5,942,839
TOTAL LIABILITIES		7,239,340	160,581	7,399,921
TOTAL LIABILITIES AND EQUITY		\$ 29,643,081	\$ 1,754,942	\$ 31,398,023

II. A detailed reconciliation of equity as at February 1, 2010 is as follows:

	Share capital	Share-based payments reserves	Retained earnings/ (deficit)	Total equity
Canadian GAAP	\$ 34,678,264	\$ 772,455	\$ (13,046,978)	\$ 22,403,741
Effect of transition to IFRS:				
note a	-	-	(95,567)	(95,567)
note b	-	-	1,689,928	1,689,928
note c	-	72,658	(72,658)	-
Total effect of transition to IFRS	-	72,658	1,521,703	1,594,361
IFRS	\$ 34,678,264	\$ 845,113	\$ (11,525,275)	\$ 23,998,102

III. Explanatory notes to the reconciliations:

- (a) On transitioning to IFRS, the Company has elected to apply the exemption provided in IFRS 1 from full retrospective application of IFRIC 1. Accordingly, the Company has measured the liability associated with decommissioning its leased distribution facility in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") as at the date of transition and has estimated the amount that would have been included in the cost of the related asset when the liability first arose. The impact of the election at February 1, 2010 was a net increase to property, plant and equipment of \$65,014, an increase to non-current provisions of \$160,581 and a decrease to equity of \$95,567.
- (b) On transitioning to IFRS, the Company has elected to measure certain property, plant and equipment assets at fair market value as at the date of transition. The impact of the election was a gain of \$1,689,928 at February 1, 2010 which impacted equity and resulted in a corresponding increase to property, plant and equipment.
- (c) Under CGAAP, for stock options that vest in instalments over the vesting period, the Company used the pooling method for the purposes of determining compensation expense. Under IFRS, the pooling method is not permitted. As a consequence, the impact of treating each instalment of options as a separate arrangement resulted in a \$72,658 loss through equity at the date of transition with a corresponding increase to share-based payments reserves.

Opening transition adjustments not impacting equity:

- (d) Under CGAAP, the Company classified returnable glass bottles as items of inventory, subject to depreciation through cost of sales. In transitioning to IFRS, the Company has reclassified these bottles to property, plant and equipment as their use covers more than one period. The impact of the reclassification adjustment was \$1,781,451 at February 1, 2010.
- (e) Under CGAAP, the Company presented its future income tax balances as either current or non-current based upon the classification of the underlying assets or liabilities to which they relate or, if there is no underlying recognized asset or liability, based upon the expected reversal of the temporary difference. In transitioning to IFRS, these balances have been presented as non-current in accordance with IAS 12, Income Taxes. The impact of the reclassification adjustment was \$566,000 at February 1, 2010.

Restatement of CGAAP values:

During the year ended January 31, 2011, the Company changed its accounting policy for transaction costs under CGAAP. The net impact of retroactively applying the change in policy is a decrease to the opening deficit of \$93,405 with a corresponding reduction to long term debt. The change in policy has been disclosed by the Company within the CGAAP financial statements for the year ended January 31, 2011.

IV. The effect on the Company's statement of financial position as at May 2, 2010 is as follows:

	Notes	Canadian GAAP [restated]	Effect of transition to IFRS		IFRS
			Date of transition adjustments	Period ended May 2, 2010 adjustments	
ASSETS					
Non-current assets					
Property, plant and equipment	a,b,d	\$ 14,823,716	\$ 3,536,393	\$ 171,862	\$ 18,531,971
Intangible assets		5,752,308	-	-	5,752,308
Other assets		96,394	-	-	96,394
Deferred income tax assets		954,000	566,000	-	1,520,000
		21,626,418	4,102,393	171,862	25,900,673
Current assets					
Accounts receivable		2,956,881	-	-	2,956,881
Inventories	d	5,799,978	(1,781,451)	(170,270)	3,848,257
Prepaid expenses		558,445	-	-	558,445
Deferred income tax assets		566,000	(566,000)	-	-
		9,881,304	(2,347,451)	(170,270)	7,363,583
TOTAL ASSETS		\$ 31,507,722	\$ 1,754,942	\$ 1,592	\$ 33,264,256
LIABILITIES AND EQUITY					
Equity					
Share capital		\$ 34,678,264	\$ -	-	\$ 34,678,264
Share-based payments reserves	c	802,131	72,658	(7,624)	867,165
Retained earnings/(deficit)		(12,938,603)	1,521,703	6,634	(11,410,266)
		22,541,792	1,594,361	(990)	24,135,163
Non-current liabilities					
Provisions	b	-	160,581	2,582	163,163
Long-term debt and promissory note		1,158,395	-	-	1,158,395
Obligations under finance leases		42,929	-	-	42,929
		1,201,324	160,581	2,582	1,364,487
Current liabilities					
Bank indebtedness		855,440	-	-	855,440
Accounts payable and accrued liabilities		5,878,208	-	-	5,878,208
Provisions		-	-	-	-
Current portion of long-term debt and promissory note		757,750	-	-	757,750
Current portion of obligations under finance leases		273,208	-	-	273,208
		7,764,606	-	-	7,764,606
TOTAL LIABILITIES		8,965,930	160,581	2,582	9,129,093
TOTAL LIABILITIES AND EQUITY		\$ 31,507,722	\$ 1,754,942	\$ 1,592	\$ 33,264,256

V. A detailed reconciliation of equity as at May 2, 2010 is as follows:

	Share capital	Share-based payments reserves	Retained earnings/ (deficit)	Total equity
Canadian GAAP	\$ 34,678,264	\$ 802,131	\$ (12,938,603)	\$ 22,541,792
Effect of transition to IFRS - date of transition	-	72,658	1,521,703	1,594,361
Effect of transition to IFRS for the period:				
note a	-	-	4,504	4,504
note b	-	-	(5,494)	(5,494)
note c	-	(7,624)	7,624	-
Total effect of transition to IFRS for the period	-	(7,624)	6,634	(990)
Total effect of transition to IFRS	-	65,034	1,528,337	1,593,371
Opening IFRS	\$ 34,678,264	\$ 867,165	\$ (11,410,266)	\$ 24,135,163

VI. The effect on the Company's statement of comprehensive income for the quarter ended May 2, 2010 is as follows:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue		\$ 6,971,144	\$ -	\$ 6,971,144
Cost of Sales	a, e	5,061,658	370,616	5,432,274
Gross profit		1,909,486	(370,616)	1,538,870
Selling, marketing and administration expenses	c	1,272,265	(7,624)	1,264,641
Other expenses	a, b, e	424,442	(379,992)	44,450
Finance costs, net	b	24,404	10,366	34,770
Profit/(loss) before tax		188,375	6,634	195,009
Income tax expense/(benefit)		80,000	-	80,000
Profit/(loss) for the year		108,375	6,634	115,009
Comprehensive income/(loss) for the year		\$ 108,375	\$ 6,634	\$ 115,009
Basic earnings per share		\$ -	\$ -	\$ -
Diluted earnings per share		\$ -	\$ -	\$ -

VII. Explanatory notes to the reconciliations:

- As a consequence of applying the deemed cost election provided by IFRS 1 to certain property, plant and equipment assets, the net impact to depreciation expense as determined under IAS 16, Property, Plant and Equipment ("IAS 16"), resulted in a cost recovery of \$4,504, which was reflected through accumulated depreciation on the statement of financial position and cost of sales and other expenses on the income statement (refer to note e below for expense reclassifications).
- In applying the requirements of IFRIC 1 to the Company's decommissioning obligation, the impact to depreciation and accretion expense was \$2,912 and \$2,582 respectively. The depreciation impact was reflected through property, plant and equipment on the statement of financial position and other expenses on the income statement while the accretion impact was reflected through non-current provisions on the statement of financial position and finance expenses on the income statement.
- The impact of applying the "graded vesting" requirement of IFRS 2 to the Company's stock options resulted in a recovery to compensation expense (selling, marketing and administration expenses) of \$7,624 and corresponding reduction of share-based payments reserves.

May 2, 2010 transition adjustments not impacting equity or comprehensive income:

- In transitioning to IFRS, the Company has reclassified its returnable glass bottles to property, plant and equipment as their use covers more than one period. The impact of the reclassification adjustment was \$170,270 at May 2, 2010.
- To conform with its presentation under IFRS, the Company reclassified expenses between the cost of sales, other expenses and finance cost categories. The most significant change relates to depreciation and amortization expense on the Company's machinery and equipment and major spare parts assets which are presented as part of cost of sales under IFRS (CGAAP presentation as other expenses).

Restatement of CGAAP values – refer to explanatory note to the date of transition reconciliation.

VIII. The effect on the Company's statement of financial position as at January 31, 2011 ("end of last period presented under CGAAP") is as follows:

	Notes	Canadian GAAP	Effect of transition to IFRS		IFRS
			Date of transition adjustments	Fiscal 2011 adjustments	
ASSETS					
Non-current assets					
Property, plant and equipment	a,b,e	\$ 15,525,802	\$ 3,536,393	\$ (690,175)	\$ 18,372,020
Intangible assets		6,062,187	-	-	6,062,187
Other assets		45,000	-	-	45,000
Deferred income tax assets	d, f	2,233,000	566,000	74,000	2,873,000
		23,865,989	4,102,393	(616,175)	27,352,207
Current assets					
Accounts receivable		4,519,591	-	-	4,519,591
Inventories	e	5,292,747	(1,781,451)	373,944	3,885,240
Prepaid expenses		321,899	-	-	321,899
Deferred income tax assets	f	720,000	(566,000)	(154,000)	-
		10,854,237	(2,347,451)	219,944	8,726,730
TOTAL ASSETS		\$ 34,720,226	\$ 1,754,942	\$ (396,231)	\$ 36,078,937
LIABILITIES AND EQUITY					
Equity					
Share capital		\$ 34,598,668	\$ -	\$ -	\$ 34,598,668
Share-based payments reserves	c	891,160	72,658	(30,495)	933,323
Retained earnings/(deficit)		(10,097,912)	1,521,703	(205,155)	(8,781,364)
		25,391,916	1,594,361	(235,650)	26,750,627
Non-current liabilities					
Provisions	b, g	-	160,581	10,327	170,908
Long-term debt and promissory note		3,026,731	-	-	3,026,731
Obligations under finance leases		24,650	-	-	24,650
		3,051,381	160,581	10,327	3,222,289
Current liabilities					
Bank indebtedness		371,543	-	-	371,543
Accounts payable and accrued liabilities	g	5,118,947	-	(170,908)	4,948,039
Provisions		-	-	-	-
Current portion of long-term debt and promissory note		624,000	-	-	624,000
Current portion of obligations under finance leases		162,439	-	-	162,439
		6,276,929	-	(170,908)	6,106,021
TOTAL LIABILITIES		9,328,310	160,581	(160,581)	9,328,310
TOTAL LIABILITIES AND EQUITY		\$ 34,720,226	\$ 1,754,942	\$ (396,231)	\$ 36,078,937

IX. A detailed reconciliation of equity as at January 31, 2011 is as follows:

	Share capital	Share-based payments reserves	Retained earnings/(deficit)	Total equity
Canadian GAAP	\$ 34,598,668	\$ 891,160	\$ (10,097,912)	\$ 25,391,916
Effect of transition to IFRS - date of transition	-	72,658	1,521,703	1,594,361
Effect of transition to IFRS for the year:				
note a	-	-	(172,774)	(172,774)
note b	-	-	17,124	17,124
note c	-	(30,495)	30,495	-
note d	-	-	(80,000)	(80,000)
Total effect of transition to IFRS for the year	-	(30,495)	(205,155)	(235,650)
Total effect of transition to IFRS	-	42,163	1,316,548	1,358,711
Opening IFRS	\$ 34,598,668	\$ 933,323	\$ (8,781,364)	\$ 26,750,627

X. The effect on the Company's statement of comprehensive income for the year ended January 31, 2011 is as follows:

		Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue	\$	30,105,521	\$ -	\$ 30,105,521
Cost of Sales	a, h	21,420,037	1,690,053	23,110,090
Gross profit		8,685,484	(1,690,053)	6,995,431
Selling, marketing and administration expenses	c	4,917,618	(30,495)	4,887,123
Other expenses	a, b, h	1,910,360	(1,579,201)	331,159
Finance costs, net	h	261,440	44,798	306,238
Profit/(loss) before tax		1,596,066	(125,155)	1,470,911
Income tax expense/(benefit)	d	(1,353,000)	80,000	(1,273,000)
Profit/(loss) for the year		2,949,066	(205,155)	2,743,911
Comprehensive income/(loss) for the year	\$	2,949,066	\$ (205,155)	\$ 2,743,911
Basic earnings per share	\$	0.10	\$ -	\$ 0.10
Diluted earnings per share	\$	0.10	\$ -	\$ 0.10

XI. Explanatory notes to the reconciliations:

- As a consequence of applying the deemed cost election provided by IFRS 1 to certain property, plant and equipment assets, the net impact to depreciation expense as determined under IAS 16 resulted in an additional expense of \$24,645, which was reflected through accumulated depreciation on the statement of financial position and cost of sales and other expenses on the income statement. As a consequence of applying the requirements of IAS 16 in respect of significant components, the Company incurred additional depreciation expense of \$148,129 which has been reflected through accumulated depreciation on the statement of financial position and other expenses on the income statement.
- In applying the requirements of IFRIC 1 to the Company's decommissioning obligation, the impact to property, plant and equipment and non-current provisions was \$143,457 and \$160,581 respectively. Of these amounts, a recovery of \$17,124 relates to depreciation expense which was reflected through other expenses on the income statement.
- The impact of applying the "graded vesting" requirement of IFRS 2 to the Company's stock options resulted in a recovery to compensation expense (selling, marketing and administrative expenses) of \$30,495 and corresponding reduction of share-based payments reserves.
- The tax effect of the transition to IFRS resulted in a reduction to the Company's deferred tax asset of \$80,000 with a corresponding increase to income tax expense on the income statement.

Fiscal 2011 transition adjustments not impacting equity or comprehensive income:

- In transitioning to IFRS, the Company has reclassified its returnable glass bottles to property, plant and equipment as their use covers more than one period. The impact of the reclassification adjustment was \$373,944 for the year ended January 31, 2011.
- In transitioning to IFRS, the Company has presented all deferred income tax balances as non-current in accordance with IAS 12, Income Taxes. The income statement impact of the reclassification adjustment was \$154,000 for the year ended January 31, 2011.

- (g) In transitioning to IFRS, the Company has reclassified its decommissioning obligation from accounts payable and accrued liabilities to the non-current portion of provisions. For the year ended January 31, 2011, the impact of these reclassifications was \$170,908.
- (h) To conform with its presentation under IFRS, the Company reclassified expenses between the cost of sales, other expenses and finance cost categories. The most significant change relates to depreciation and amortization expense on the Company's machinery and equipment and major spare parts assets which are presented as part of cost of sales under IFRS (CGAAP presentation as other expenses).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1. REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the income can be measured reliably.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding recovery of the consideration due or associated costs, and there is no continuing management involvement with the goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, discounts, volume rebates, applicable federal and provincial production, environmental and excises taxes and distribution service charges levied by applicable provincial liquor boards and government approved distribution agents.

Interest income is recognized as earned on an accrual basis using the effective interest method.

Co-pack revenue, arising from the use by others of the Company's resources is recognized on an accrual basis in accordance with the substance of the relevant agreement.

6.2. GOVERNMENT GRANTS

Government grants are recognized where there is reasonable assurance that the grant will be received and all the attaching conditions will be complied with.

Government grants in respect of capital expenditures are credited to the carrying amount of the related asset and are released to income over the expected useful lives of the relevant assets. Government grants which are not associated with an asset are credited to income so as to net them against the expense to which they relate.

6.3. FINANCE COSTS

Finance costs comprise interest paid or payable on borrowings and finance lease obligations and accretion on decommissioning obligations.

6.4. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Team, who are considered to be the Company's "chief-operating decision maker". The Executive Team has determined that the Company operates in a single industry segment which involves the production, distribution and sale of alcohol-based products.

6.5. FOREIGN CURRENCIES

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the period end date rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost and denominated in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities measured at fair value and

denominated in foreign currencies are translated at the foreign exchange rate prevailing at the date the fair value was determined.

6.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management (ie. non-refundable tax, transportation and the costs of dismantling and removing the items and restoring the site on which they are located, if applicable). Expenditures which extend the useful life or increase the service capacity of an asset are capitalized, while expenditures that relate to day-to-day servicing to repair or maintain an asset are expensed as incurred. Major spare parts are recognized as items of property, plant and equipment when the Company expects to use them during more than one period.

Depreciation is provided so as to write off the cost of the asset, less its estimated residual value (if any) over its estimated useful life on the following basis:

Asset Class	Basis	Useful Life (years)
Buildings and leasehold improvements	Straight-line	5 – 30
Returnable containers	Straight-line	4 – 10
Machinery and equipment	Straight-line	3 – 30
Computer equipment	Straight-line	2 – 5
Furniture and fixtures	Straight-line	5
Vehicles	Straight-line	3
Major Spare Parts	Straight-line	4

Where components of assets have different useful lives, depreciation is calculated for each significant component. The estimated useful life of each asset component has due regard to both its own physical life limitations and the future economic benefits expected to be consumed by the Company through use of the asset.

The Company reviews the residual value and useful lives of depreciable assets on an annual basis and where revisions are made to either the residual value or useful life, the Company applies such changes in estimates on a prospective basis.

The Company reviews its depreciation method on an annual basis and where revisions are made to reflect the expected pattern of consumption of the future economic benefits embodied in the asset, the Company applies such changes in estimates on a prospective basis.

The net carrying amounts of property, plant and equipment assets are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, the excess is fully provided for in the financial year in which it is determined (refer to impairment policy).

Where the Company receives compensation from third parties for items of property, plant and equipment that were impaired, lost or given up, these amounts are netted against the expense line item in the income statement when they become receivable.

Where an item of property, plant and equipment is disposed of by sale, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as an expense item in the income statement.

Any items of property, plant and equipment that cease to have future economic benefits expected to arise from their continued use are derecognized with the associated loss included as depreciation expense.

6.7. BORROWING COSTS

Borrowing costs of qualifying assets are capitalized for periods preceding the dates that the assets are available for use. All other borrowing costs are recognized as expense in the financial period when incurred.

6.8. INTANGIBLE ASSETS

Trademarks

Trademarks are indefinite life intangibles that relate to brands, trade names, formulas, rights, licenses or recipes that have been acquired by the Company. Trademarks are measured at acquisition cost less any impairment in value (refer to impairment policy).

Listings

Listings relate to costs incurred by the Company to list its products within The Beer Store. Listings have indefinite lives unless a product is delisted, at which point, the Company recognizes an impairment loss for the full amount.

Computer software and licenses

Purchased software and licenses have finite useful lives and are carried at cost and amortized on a straight-line basis over three years. Costs associated with maintaining purchased computer software programmes are recognized as an expense as incurred. Expenditures on internally developed software are capitalized when the expenditures qualify as development activities; otherwise, they are expensed as incurred.

Where an intangible asset is disposed of, it is derecognized and the difference between its carrying value and the net sales proceeds is reported as amortization on disposal in the income statement in the period the disposal occurs.

6.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of items in property, plant and equipment, and intangible assets are reviewed for impairment at the end of each reporting date. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash-generating unit level.

Where a cash-generating unit includes intangible assets which are either not available for use or which have an indefinite useful life (and which can only be tested as part of a cash-generating unit), an impairment test is performed at least annually or whenever there is an indication that the carrying amounts of such assets may be impaired.

If the carrying amount of an individual asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recorded in the income statement to reflect the asset at the lower amount. In assessing the value-in-use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a pre-tax discount rate which reflects the current market's assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

A reversal of a previously recognized impairment loss is recorded in the income statement when events or circumstances dictate that the estimates used to determine the recoverable amount have changed since the prior

impairment loss was recognized. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of amortization which would have arisen if the prior impairment loss had not been recognized. After such a reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

6.10. INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. Cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and sell the product.

The cost of raw materials, supplies and promotional items are determined on a first-in, first-out basis. The cost of finished goods and work-in-process are determined on an average cost basis and include raw materials, direct labour, and an allocation of fixed and variable overhead based on normal capacity.

Inventories are written down to net realizable value if that net realizable value is less than the carrying amount of the inventory item at the reporting date. If the net realizable value subsequently increases, a reversal of the loss initially recognized is applied to cost of sales.

6.11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and short-term highly liquid investments with maturities of three months or less from the date of acquisition, that are readily convertible into cash. Cash and cash equivalents are stated at face value, which approximate their fair value.

6.12. PROVISIONS

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using current pre-tax discount rates that reflect, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liabilities

The Company recognizes a provision for the restoration costs associated with its leased facilities in the financial period when the related facility modification occurs, based on estimated future costs, using information available at the period end date. The provision is discounted using a current market-based pre-tax discount rate. An increase in the provision due to the passage of time is reflected as a finance cost and the provision is reduced by actual restoration costs incurred. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over the useful life of the leased facility.

The provision is reviewed on an annual basis for changes to the future obligation. Changes in the estimated future costs involved or in the discount rate are added to or deducted from the cost of the related asset to the extent of the carrying amount of the asset and are recognized through profit or loss thereafter.

6.13. LEASES

Finance leases

Leases of property, plant and equipment where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities (interest-bearing loans and borrowings) at amounts equal to the lower of the fair value of the leased property and the present value of the minimum lease payments at the inception of the lease.

Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the term of the lease.

Operating leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease.

6.14. INCOME TAXES

Income tax assets/liabilities are comprised of current and deferred tax:

Current tax

Current income tax is calculated on the basis of tax laws enacted or substantially enacted at the period end date in the country where the Company operates and generates taxable income. Current tax includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is recognized using the balance sheet method in respect of all temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates or joint ventures, where the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets are reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the period end date.

Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxable authority.

Sales tax

Revenues, expenses, assets and liabilities are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

6.15. SHARE CAPITAL

Common share capital

Issued and paid up capital is recognized at the consideration received by the Company. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

A provision is not made for dividends unless the dividends have been declared by the Board of Directors on or before the end of the period and not distributed at the reporting date.

6.16. SHARE-BASED PAYMENTS

The Company accounts for all share-based payments to employees and non-employees, consisting of stock options and the employee share purchase plan, using the fair value based method. Under the fair value based method, the fair value of the share options are estimated at the grant date, using an option pricing model. Based upon the expected number of options that will vest, the fair value of the options granted is expensed over the vesting period. When options are exercised, equity is increased by the amount of the proceeds received.

6.17. EARNINGS PER SHARE

Basic earnings per share are determined by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account the additional shares from the assumed exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the period.

6.18. FINANCIAL INSTRUMENTS

All financial instruments are recorded at fair value on initial recognition.

Financial assets

Financial assets are designated at inception into one of the following categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit and loss ("FVTPL").

Transaction costs associated with financial assets are included in the initial carrying amount of the asset.

Subsequent to initial recognition:

- the unrealized gains or losses associated with financial assets designated as FVTPL are recognized at each period end date through earnings;
- financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost; and
- financial assets classified as available-for-sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss, except for losses in value that are considered other than temporary which are recognized in income.

Financial liabilities

Financial liabilities are designated at inception as other-financial-liabilities or at FVTPL.

Transaction costs that are directly attributable to financial liabilities are deducted from the fair value of the related liability.

Subsequent to initial recognition:

- other-financial-liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortization cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability; and
- fair value changes on financial liabilities classified as FVTPL are recognized through income.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL

Derivatives and contracts with embedded derivatives

Derivatives, including separated embedded derivatives are classified as held-for-trading unless they are designated as effective hedging instruments.

The Company considers whether a contract contains an embedded derivative when the Company becomes a party to the contract. Embedded derivatives are separated from the host contract if it is not measured at fair value through profit and loss and when the economic characteristics and risks are not closely related to the host contract.

Contracts involving non-financial items

The Company enters into contracts involving non-financial items for the purchase of raw materials and packaging supplies. These contracts are entered into and held for the purposes of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase sale or usage requirements.

Fair values

Financial instruments recorded on the statement of financial position are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. The Company does not use Level 1 inputs for its fair value measurements.
- Level 2 – inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly. The Company’s Level 2 inputs include quoted market prices for interest rates and credit risk premiums. The Company obtains information from sources including the Bank of Canada and market exchanges. The Company uses Level 2 inputs for all of its financial instrument fair value measurements.
- Level 3 – inputs that are not based on observable market data. The Company does not use Level 3 inputs for any of its fair value measurements.

De-recognition of financial assets and liabilities

Financial assets

A financial asset is de-recognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, it continues to recognise the financial asset to the extent of its continuing involvement in the asset.

Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Gains and losses on de-recognition are recognized in income when incurred. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

6.19. RELATED PARTY TRANSACTIONS

The Company views related parties as those persons or entities that are able to directly or indirectly control or exercise significant influence over the Company in making financial and operational decisions. A transaction is considered to be a related party transaction where there is transfer of resources, services or obligations between the Company and the related party.

All related party transactions entered into by the Company that are in the normal course of business and have commercial substance are measured at the exchange amount.

7. REVENUE

The Company's revenue consists of the follow streams:

	Quarter ended May 1, 2011	Quarter ended May 2, 2010
Revenue from the Sale of Goods:		
Gross Revenue	\$ 16,708,770	\$ 14,044,376
Less: Production taxes and distribution fees	9,240,827	7,656,863
Revenue (net)	7,467,943	6,387,513
Revenue from the rendering of services:		
	664,660	583,631
Total Revenue	\$ 8,132,603	\$ 6,971,144

8. EXPENSES BY NATURE

Expenses relating to depreciation, amortization, impairment and employee benefits are included within the following line items on the income statement:

	Depreciation and impairment of property, plant & equipment	Amortization and impairment of intangible assets	Salaries, benefits and other personnel-related expenses
Quarter ended May 1, 2011			
Cost of sales	\$ 527,721	\$ -	\$ 1,524,115
Selling, marketing and administration expenses	-	-	653,396
Other expenses	89,594	9,417	60,173
	\$ 617,315	\$ 9,417	\$ 2,237,684
Quarter ended May 2, 2010			
Cost of sales	\$ 557,693	\$ -	\$ 1,335,733
Selling, marketing and administration expenses	-	-	665,377
Other expenses	68,431	9,035	1,124
	\$ 626,124	\$ 9,035	\$ 2,002,234

9. OTHER EXPENSES

The Company's other expenses consist of the following amounts:

	Quarter ended May 1, 2011	Quarter ended May 2, 2010
Depreciation and impairment of property, plant & equipment	\$ 89,594	\$ 68,431
Amortization and impairment of intangible assets	9,417	9,035
Other personnel-related expenses	60,173	1,124
Foreign exchange (gains)/losses	(13,489)	(34,140)
	\$ 145,695	\$ 44,450

10. FINANCE COSTS

The Company's finance costs consist of the following amounts:

	Quarter ended May 1, 2011	Quarter ended May 2, 2010
Interest on long-term debt	\$ 133,300	\$ 20,917
Interest on finance leases	419	3,487
Interest on bank indebtedness	24,730	7,602
Other interest (income)/expense	1,800	182
Unwinding of discount on provisions	2,748	2,582
	\$ 162,997	\$ 34,770

11. INCOME TAXES

The operations of the Company and related tax interpretations, regulations and legislation are subject to change. The Company believes that the amounts reported as deferred income tax assets adequately reflect management's current best estimate of its income tax exposures.

12. PROPERTY, PLANT & EQUIPMENT

	Assets owned by the Company								Assets held under finance leases			Total property, plant and equipment
	Land	Buildings and leasehold improvements	Returnable containers	Machinery and equipment	Computer equipment	Furniture and fixtures	Vehicles	Major spare parts	Machinery and equipment	Computer equipment	Vehicles	
Cost												
Balance at February 1, 2010	\$ 2,532,438	\$ 3,520,246	\$ 5,715,860	\$ 11,572,435	\$ 851,333	\$ 366,259	\$ 188,815	\$ 770,793	\$ 750,000	\$ 263,218	\$ 35,000	\$ 26,566,397
Additions	-	467,208	478,435	2,298,729	36,787	8,278	-	62,940	-	73,083	-	3,425,460
Disposals	-	(155,790)	-	(86,221)	-	-	-	(474,570)	-	-	-	(716,581)
Balance at January 31, 2011	2,532,438	3,831,664	6,194,295	13,784,943	888,120	374,537	188,815	359,163	750,000	336,301	35,000	29,275,276
Cumulative depreciation and impairment												
Balance at February 1, 2010	-	(1,424,406)	(3,881,501)	(1,141,579)	(819,773)	(341,388)	(188,815)	(604,115)	(229,087)	(263,218)	(35,000)	(8,928,882)
Depreciation charge for the period	-	(167,215)	(860,454)	(1,312,424)	(27,554)	(17,990)	-	(57,895)	(50,000)	(10,962)	-	(2,504,494)
Depreciation on:												
Disposals	-	-	-	57,663	-	-	-	417,419	-	-	-	475,082
Other changes	-	5,027	-	50,011	-	-	-	-	-	-	-	55,038
Balance at January 31, 2011	-	(1,586,594)	(4,741,955)	(2,346,329)	(847,327)	(359,378)	(188,815)	(244,591)	(279,087)	(274,180)	(35,000)	(10,903,256)
Net book value as at February 1, 2010	\$ 2,532,438	\$ 2,095,840	\$ 1,834,359	\$ 10,430,856	\$ 31,560	\$ 24,871	\$ -	\$ 166,678	\$ 520,913	\$ -	\$ -	\$ 17,637,515
Net book value as at January 31, 2011	\$ 2,532,438	\$ 2,245,070	\$ 1,452,340	\$ 11,438,614	\$ 40,793	\$ 15,159	\$ -	\$ 114,572	\$ 470,913	\$ 62,121	\$ -	\$ 18,372,020
Cost												
Balance at February 1, 2011	\$ 2,532,438	\$ 3,831,664	\$ 6,194,295	\$ 13,784,943	\$ 888,120	\$ 374,537	\$ 188,815	\$ 359,163	\$ 750,000	\$ 336,301	\$ 35,000	\$ 29,275,276
Additions	91,021	143,825	987	261,551	20,762	913	7,800	30,416	-	-	-	557,275
Disposals	-	-	-	-	-	-	-	(32,854)	-	-	-	(32,854)
Other changes	-	-	-	750,000	-	-	-	-	(750,000)	-	-	-
Balance at May 1, 2011	2,623,459	3,975,489	6,195,282	14,796,494	908,882	375,450	196,615	356,725	-	336,301	35,000	29,799,697
Cumulative depreciation and impairment												
Balance at February 1, 2011	-	(1,586,594)	(4,741,955)	(2,346,329)	(847,327)	(359,378)	(188,815)	(244,591)	(279,087)	(274,180)	(35,000)	(10,903,256)
Depreciation charge for the period	-	(51,444)	(155,199)	(370,100)	(18,639)	(1,530)	(586)	(14,335)	-	(5,481)	-	(617,314)
Depreciation on:												
Disposals	-	-	-	-	-	-	-	9,118	-	-	-	9,118
Other changes	-	-	-	(279,087)	-	-	-	-	279,087	-	-	-
Balance at May 1, 2011	-	(1,638,038)	(4,897,154)	(2,995,516)	(865,966)	(360,908)	(189,401)	(249,808)	-	(279,661)	(35,000)	(11,511,452)
Net book value as at May 1, 2011	\$ 2,623,459	\$ 2,337,451	\$ 1,298,128	\$ 11,800,978	\$ 42,916	\$ 14,542	\$ 7,214	\$ 106,917	\$ -	\$ 56,640	\$ -	\$ 18,288,245

During the period, the Company exercised its buy-out option relating to a piece of machinery and equipment held under finance lease. As a result, the cost and accumulated depreciation of \$750,000 and \$279,087 respectively were reclassified to assets owned. Refer to note 23 for details on the Company's property, plant and equipment that have been pledged as security for liabilities.

The Company's obligations under finance leases are described in note 22.

13. INTANGIBLE ASSETS

The Company's intangible assets are broken down as follows:

	Listing fees	Trademarks	Computer software and licenses	Total
Cost				
Balance at February 1, 2010	\$ 1,642,930	\$ 4,089,024	\$ -	\$ 5,731,954
Acquired separately	303,371	-	113,000	416,371
Impairment charges recognized in profit/(loss) for the year	(50,000)	-	-	(50,000)
Balance at January 31, 2011	1,896,301	4,089,024	113,000	6,098,325
Cumulative amortization and impairment				
Balance at February 1, 2010	-	-	-	-
Amortization charge for the period	-	-	(36,138)	(36,138)
Balance at January 31, 2011	-	-	(36,138)	(36,138)
Net book value as at February 1, 2010	\$ 1,642,930	\$ 4,089,024	\$ -	\$ 5,731,954
Net book value as at January 31, 2011	\$ 1,896,301	\$ 4,089,024	\$ 76,862	\$ 6,062,187
Cost				
Balance at February 1, 2011	\$ 1,896,301	\$ 4,089,024	\$ 113,000	\$ 6,098,325
Acquired separately	220,213	7,405,400	-	7,625,613
Balance at May 1, 2011	2,116,514	11,494,424	113,000	13,723,938
Cumulative amortization and impairment				
Balance at February 1, 2011	-	-	(36,138)	(36,138)
Amortization charge for the period	-	-	(9,417)	(9,417)
Balance at May 1, 2011	-	-	(45,555)	(45,555)
Net book value as at May 1, 2011	\$ 2,116,514	\$ 11,494,424	\$ 67,445	\$ 13,678,383

For the quarters ended May 1, 2011 and May 2, 2010, there were no indicators of impairment in the carrying value of the Company's intangible assets. Accordingly, no provision for impairment has been recognized in these financial statements.

On March 16, 2011, the Company purchased the Canadian rights to the Seagram's Coolers brand for a purchase price of \$7,300,000 plus costs directly attributable to the purchase.

Refer to note 23 for details on the Company's intangible assets that have been pledged as security for liabilities.

14. ACCOUNTS RECEIVABLE

Accounts receivable consists of balances from the following:

	May 1, 2011	January 31, 2011	Date of Transition to IFRS February 1, 2010
Trade customers	\$ 6,312,788	\$ 3,365,415	\$ 1,619,244
Other	1,164,289	1,164,291	786,325
Gross, accounts receivable	7,477,077	4,529,706	2,405,569
Allowance	(10,115)	(10,115)	(48,500)
Net, accounts receivable	\$ 7,466,962	\$ 4,519,591	\$ 2,357,069

Included in the other category of accounts receivable is a grant receivable from the Ontario government. Please refer to note 15 for further details on the grant.

Movement in the allowance for accounts receivable consists of the following:

	May 1, 2011	May 2, 2010	January 31, 2011
Allowance, beginning of period	\$ (10,115)	\$ (48,500)	\$ (48,500)
Additional amounts provided during the period	-	-	-
Amounts written off during the period	-	4,464	40,280
Reversals of amounts previously written off	-	(1,565)	(1,895)
Allowance, end of period	\$ (10,115)	\$ (45,601)	\$ (10,115)

There were no impairments of accounts receivable as at May 1, 2011 (January 31, 2011 - \$40,280). The solvency of the customer and their ability to repay the receivables were considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

Below is an aged analysis of the Company's accounts receivable:

	May 1, 2011	January 31, 2011	Date of Transition to IFRS February 1, 2010
Less than 30 days	\$ 7,274,252	\$ 4,333,020	\$ 2,125,771
Past the due date but not impaired:			
31-60 days	149,495	95,885	56,844
61-90 days	15,756	15,142	31,865
Over 90 days	27,459	75,544	142,589
	\$ 7,466,962	\$ 4,519,591	\$ 2,357,069

15. GOVERNMENT GRANT

In September 2008, the Ontario Government announced the Ontario Craft Brewers Opportunity Fund to assist craft brewers with building and marketing their brands. The Company received proceeds of \$1,000,000 from this fund in each of fiscal 2009, 2010 and 2011. The proceeds are restricted for use in activities designed to grow the business and be more competitive in the Craft Beer industry.

The Company has recorded a receivable of \$1,000,000 (2011 - \$1,000,000) relating to the fourth and final payment that will be received by the Company during the year ended January 31, 2012. As a result of the Opportunity Fund, the Company has recognized a reduction to marketing expense of \$nil during the quarter ended May 1, 2011 (quarter ended May 2, 2010 - \$348,674).

16. INVENTORIES

	May 1, 2011	January 31, 2011	Date of Transition to IFRS February 1, 2010
Promotional items	\$ 36,722	\$ 28,008	\$ 42,871
Raw materials and supplies	1,563,971	1,582,875	1,416,994
Work in progress and finished goods	2,950,920	2,274,357	2,010,398
	\$ 4,551,613	\$ 3,885,240	\$ 3,470,263

As at May 1, 2011, a provision of \$45,385 (January 31, 2011 - \$43,051, February 1, 2010 - \$72,464) has been netted against inventory to account for obsolete materials.

The cost of inventories recognized as expense during the period amounted to \$5,463,420 (quarter ended May 2, 2010 - \$4,404,609). Of this amount, \$6,869 (quarter ended May 2, 2010 - \$12,158) related to impairment caused by obsolescence.

Refer to note 23 for details on the Company's inventories that have been pledged as security against liabilities.

17. SHARE CAPITAL

Preferred shares

The Company has authorized an unlimited number of preferred shares. As at May 1, 2011, no preferred shares have been issued.

Common shares

The Company has authorized an unlimited number of common shares. As at May 1, 2011, 28,182,660 common shares were issued and outstanding.

Convertible warrants

On October 31, 2008, the Company issued 5,729,165 units of share capital, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.71 for a five-year period from the date of closing and contains standard anti-dilution provisions. As at May 1, 2011, 5,729,165 warrants were issued and outstanding.

18. SHARE-BASED PAYMENTS

Stock option and share purchase plans

The Company has issued stock options to certain officers and key employees. The options may be exercised during periods of up to five years following the date of issue, at a price equal to the weighted average closing market price during the five days immediately preceding the date granted, subject to a three-year vesting period.

A summary of the status of the options outstanding under the Company's stock option plan as at May 1, 2011 and January 31, 2011 is presented below:

	Quarter ended May 1, 2011		Year ended January 31, 2011	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance outstanding at beginning of period	1,349,000	0.77	1,350,000	0.77
Granted	50,000	1.09	-	-
Forfeited	-	-	-	-
Exercised	(30,000)	0.70	(1,000)	0.70
Expired	-	-	-	-
Balance outstanding at end of period	1,369,000	0.78	1,349,000	0.77

A summary of options outstanding under the plan is presented below:

Exercise price	Number outstanding at May 1, 2011	Weighted average remaining contractual life	Number exercisable at May 1, 2011
0.65	500,000	3.07	166,667
0.69	50,000	3.61	16,667
0.70	119,000	2.40	79,333
0.71	150,000	2.43	100,000
0.93	500,000	2.03	333,333
1.09	50,000	4.76	-
0.65 to 1.09	1,369,000	2.64	696,000

All option grants have a term of five years from the date of grant and vest on the anniversary date of the grant at a rate of one-third per annum of the total number of share options granted.

The weighted average share price of options exercised during the quarter ended May 1, 2011 was \$0.70 (year ended January 31, 2011 - \$ 0.70). There were no options exercised during the quarter ended May 2, 2010.

For options granted, the fair value has been determined using the Black-Scholes fair value option pricing model and the following assumptions:

	Quarter ended May 1, 2011	Year ended January 31, 2011
Weighted average fair value at the measurement date	\$ 121,371	\$ 120,574
Weighted average share price	\$ 1.04	\$ 0.75
Weighted average exercise price	\$ 0.78	\$ 0.77
Expected volatility ₁	45-52%	45-51%
Dividend yield	0%	0%
Risk free interest rate	2%	2%
Weighted average expected life in years	5	5

₁ Expected volatility was determined by looking at historical volatility commensurate with the expected life of the option.

The resulting fair value is charged to personnel expense over the vesting period of the options.

During the quarter, stock option expense and share based payments reserve were increased by \$708 (quarter ended May 2, 2010 - \$nil) on account of options granted.

As options are exercised, the corresponding values previously charged to share based payments reserve are reclassified to share capital. Cash proceeds arising from the exercise of these options are credited to share capital.

Employee share purchase plan:

Employees are eligible to purchase an allotted number of common shares at a discount of 10% from the average closing market price during the five days immediately preceding the date of January 15, 2011. During the quarter ended May 1, 2011, no shares were issued under the plan (quarter ended May 2, 2010 – nil).

19. EARNINGS PER SHARE

The computations for basic and diluted earnings per share are as follows:

	Quarter ended May 1, 2011	Quarter ended May 2, 2010
Profit/(loss) for the year	\$ (134,279)	\$ 115,009
Average number of common shares outstanding	28,152,993	28,120,440
Effect of options and warrants	2,184,729	431,521
Average number of diluted common shares outstanding	30,337,722	28,551,961
Basic earnings/(loss) per share	\$ (0.00)	\$ 0.00
Diluted earnings/(loss) per share	\$ (0.00)	\$ 0.00

20. PROVISIONS

	Asset decommissioning obligations
Balance at February 1, 2010	\$ 160,581
Changes due to the passage of time	10,327
Balance at January 31, 2011	\$ 170,908
Current	\$ -
Non-current	\$ 170,908
Balance at February 1, 2011	\$ 170,908
Changes due to the passage of time	2,747
Balance at May 1, 2011	\$ 173,655
Current	\$ -
Non-current	\$ 173,655

Asset decommissioning costs relate to the future legal obligations associated with the retirement of the Company's leased facility. The obligation is being accreted to income over a period of 5 years. The total undiscounted amount of estimated cash flows required to restore the leased facility is \$222,378. The key assumptions used by management in computing the fair value of the future obligation are as follows: inflation at 2% and discount rate at 6.4%. The amount and timing of cash flows are based upon management's best estimate of this future obligation.

21. LONG TERM DEBT

	May 1, 2011	January 31, 2011	Date of Transition to IFRS February 1, 2010
Secured promissory note payable to Corby Distilleries Limited, bearing interest at a rate of 5.00%, with interest accruing on a monthly basis. Principal payments of \$600,000 plus accrued interest are due annually beginning January 31, 2012 and ending January 31, 2015.	\$ 2,400,000	\$ -	\$ -
Mortgage payable to HSBC (stated net of transaction costs of \$184,640), bearing interest at the lender's prime rate plus 3.00% (6.00% as at May 01, 2011), with monthly principal payments of \$69,050, maturing on April 01, 2017.	5,618,660	-	-
Mortgage payable to Roynat Inc., bearing interest at the lender's floating base rate plus 3.25% (4.95% as at January 31, 2011), settled on May 16, 2011.	-	1,050,000	1,350,000
Mortgage payable to Roynat Inc., bearing interest at the lender's floating base rate plus 3.25% (4.95% as at January 31, 2011), settled on May 16, 2011.	-	2,600,731	-
Mortgage payable to Roynat Inc., bearing interest at the lender's floating base rate plus 3.25%, settled on May 06, 2010.	-	-	116,500
Mortgage payable to Roynat Inc., bearing interest at the lender's floating base rate plus 3.25%, settled on May 06, 2010.	-	-	507,995
Total long-term debt	\$ 8,018,660	\$ 3,650,731	\$ 1,974,495
Current	\$ 1,402,200	\$ 624,000	\$ 816,100
Non-current	\$ 6,616,460	\$ 3,026,731	\$ 1,158,395

The mortgage payable to HSBC is secured by a general security agreement over all assets, a collateral mortgage in the amount of \$4,500,000 over real property, and a first position security interest in processing plant and equipment, accounts receivable and inventories. The mortgage payable is also secured by a second ranking position security interest in the Seagram rights behind the first ranking security in favour of Corby Distilleries Limited.

The note payable to Corby Distilleries Limited is secured by a first ranking position over the Seagram's rights.

The Company is in compliance with the financial covenants required under the terms of the mortgages payable.

The aggregate maturities of long-term debt obligations are summarized as follows:

Due within one year	\$ 1,402,200
Due in one to five years	5,671,150
Due in over five years	945,310
	\$ 8,018,660

22. OBLIGATIONS UNDER FINANCE LEASES

The Company has the following commitments relating to its computer equipment under finance lease as at May 1, 2011:

		Future minimum lease payments	Less: future finance charges	Present value of finance lease obligation
Due within one year	\$	24,823	\$ 411	\$ 24,412
Due in one to five years		18,617	100	18,517
Due in over five years		-	-	-
		43,440	511	42,929
Current				\$ 24,412
Non-current				\$ 18,517
Total obligations under finance leases				\$ 42,929

At May 1, 2011, the average lease term on the Company's computer equipment finance leases is 2 years and average effective borrowing rate is 1.29%.

Included in finance costs this period is \$419 (quarter ended May 2, 2010 - \$3,487) relating to interest expense on finance leases.

Finance lease obligations included above are secured against the assets concerned.

23. BANK INDEBTEDNESS

During the period ended May 1, 2011, the Company increased its bank operating line of credit from \$6,500,000 with interest at prime plus 1.5% to \$8,000,000 with interest at prime plus 1.5%. The Company utilized \$2,762,306 of the operating line of credit as of May 1, 2011 (January 31, 2011 - \$80,187). Bank indebtedness includes outstanding cheques. Interest expense of \$24,730 (quarter ended May 2, 2010 - \$7,602) has been included as part of finance expenses in the income statement.

The operating line is secured by a general security agreement over all assets other than real property, and a general assignment of book debts creating a first priority assignment. The Company is in compliance with the financial covenants required under the terms of the bank operating line of credit.

24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following categories:

	May 1, 2011	January 31, 2011	Date of Transition to IFRS February 1, 2010
Trade payables	\$ 2,083,707	\$ 1,942,146	\$ 1,160,813
Other payables and accrued liabilities	\$ 6,914,240	\$ 3,005,893	\$ 2,027,102
	\$ 8,997,947	\$ 4,948,039	\$ 3,187,915

The Company's trade payables relate to amounts outstanding for trade purchases relating to the production of alcohol-based products and for general and administrative activities.

The Company's other payables category mainly include amounts relating to federal and provincial sales taxes and production taxes associated with the manufacturing and distribution of alcohol-based products. Also included in the other payables category is an amount due to Corby Distilleries Limited in respect of inventory purchased as part of the March 16, 2011 acquisition of the Canadian rights to the Seagram Coolers brand. The Company's accrued liabilities mainly

relate to salaries, benefits and other personnel related expenses as well as accruals relating to accounting and legal expenses.

Accounts payables and accrued liabilities are expected to be settled within the next 12 months.

25. FINANCIAL INSTRUMENTS

This note presents information relating to the Company's exposure to financial instruments and summarizes the Company's policies and processes that are in place for measuring and managing risk. Further qualitative disclosures are included throughout these financial statements.

Principles of risk management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. These risks are from exposures that occur in the normal course of business and are managed by the Executive Team, consisting of the Officers of the Company. The responsibilities of the Executive Team include the recommendations of policies to manage financial instrument risk.

The overall objective of the Executive Team is to effectively manage credit risk, liquidity risk and other market risks in accordance with the Company's strategy. Other responsibilities of the Executive Team include management of the Company's cash resources and debt funding programs, approval of counter-parties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the Company.

The Company's Finance Group prepares monthly reports which monitor all significant financial activities undertaken by the Company. These reports also monitor loan covenants to ensure continued compliance. The Executive Team reviews these reports to monitor the financial instrument risks of the Company and to ensure compliance with established Company policies and procedures.

Categories of financial instruments

The Company's significant financial instruments comprise cash and cash equivalents, bank indebtedness, finance leases, and long term debt and promissory notes. The main purpose of these financial instruments is to finance the Company's growth and ongoing operations. The Company has various other financial assets and liabilities such as accounts receivables and accounts payables, which arise directly from its operations.

The Company's financial instruments and their designations are:

	Designated as:
Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Obligations under finance lease	Other financial liabilities
Long term debt and promissory notes	Other financial liabilities

All financial assets and financial liabilities are recorded at amounts which approximate their fair market value.

Accounts receivable, and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as cash and cash equivalents.

The carrying amount of long term debt, promissory notes and obligations under finance lease approximate their fair value on a discounted cash basis because these obligations bear interest at market rates.

Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all financial assets. Investments in cash, short-term deposits and similar assets are with approved counter party banks and other financial institutions. Counter-parties are assessed both prior to, during, and after the conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level.

The Company's major exposure to credit risk is in respect of trade receivables. The Beer Store is the Company's largest customer with accounts receivable totalling \$5,227,792 at May 1, 2011 (January 31, 2011 - \$3,049,535).

The maximum exposure of credit risk is limited to the total carrying value of accounts receivable as at May 1, 2011, being an amount of \$7,466,962 (January 31, 2011 - \$4,519,591).

The credit quality of the Company's significant customers is monitored on an on-going basis and allowances are provided for potential losses that have been incurred at the period end date. Receivables that are neither past due nor impaired are considered credit of high quality. Where concentrations of credit risk exist, management closely monitors the receivable and ensures appropriate controls are in place to ensure recovery.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company's Executive Team is responsible for management of liquidity risk, including funding, settlements, related processes and policies. The operational, tax, capital and regulatory requirements and obligations of the Company are considered in the management of liquidity risk.

The Company manages its liquidity risk utilizing various sources of financing to maintain flexibility while ensuring access to cost-effective funds when required. The Company also manages liquidity risk through the use of its operating line of credit. In addition, management utilizes both short and long-term cash flow forecasts and other financial information to manage liquidity risk. Other than the scheduled repayments of long-term debt, promissory notes and obligations under finance lease in fiscal 2013 and beyond, all other financial liabilities are due within one year.

Contractual maturities for financial liabilities at May 1, 2011 have been disclosed throughout these financial statements.

Foreign currency

The Company currently relies on only a few foreign suppliers providing certain goods and services and thus has limited exposure to risk due to variations in foreign exchange rates. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors foreign exchange exposure.

The Company does not have any significant foreign currency denominated monetary liabilities.

Interest rate risk

The Company is exposed to interest rate risk to the extent that its bank indebtedness and long term debt are based upon variable rates of interest.

For the quarter ended May 1, 2011, if interest rates changed by 1%, the change in the Company's net earnings and comprehensive income would not be significantly impacted.

Subsequent to the quarter ended May 1, 2011, the Company entered into an interest rate swap agreement (“swap”) under the terms of its term loan from HSBC Bank Canada, whereby it fixed \$2,900,000 of the original term loan at a fixed rate of 7.2%.

Capital management

For capital management purposes, the Company defines capital as the aggregate of its shareholders’ equity and total debt less cash and cash equivalents. Debt includes bank indebtedness, and the current and non-current portions of long-term debt.

The Company’s principal objectives in managing capital are:

- to ensure that it will continue to operate as a going concern;
- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and in order to comply with externally imposed financial debt covenants. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company’s needs, capital markets and economic conditions at the time of the transaction.

At May 1, 2011, the Company complied with all of its financial debt covenants.

26. OPERATING LEASES

At May 1, 2011, the Company’s commitments under non-cancellable operating leases are as follows:

	Vehicles	Buildings	Machinery and equipment	Office equipment, furniture and fixtures	Total
Future minimum lease payments:					
Due within one year	\$ 113,740	\$ 1,006,782	\$ 57,200	\$ 19,098	\$ 1,196,820
Due in one to five years	33,049	3,451,318	127,000	44,085	3,655,452
Due in over five years	-	-	-	-	-
	\$ 146,789	\$ 4,458,100	\$ 184,200	\$ 63,183	\$ 4,852,272

During the period ended May 1, 2011, operating lease expense in the amount of \$373,266 has been recognized within cost of sales (quarter ended May 2, 2010 - \$380,919).

27. COMMITMENTS

On September 28, 2010, the Company signed an agreement with the Corporation of the Municipality of South Bruce (the “Municipality”). Under the terms of the agreement, the Company will contribute to the cost of constructing a sewage treatment plant provided that certain construction timelines are met. Once the treatment plant is completed, the Company will pay \$8,000 per month to the Municipality over a period ranging from 60 to 120 months. Currently the Company collects effluent and transports this waste out of the Municipality.

As at May 1, 2011, the Company has the following non-cancellable purchase commitments relating to raw materials and supplies.

First quarter
ended
May 1, 2011

Due within one year	\$	4,020,229
Due in one to five years		845,849
Due in over five years		-
	\$	4,866,078

All other commitments have been otherwise noted within these financial statements.

28. RELATED PARTY TRANSACTIONS

Key management personnel consist of the Officers of the Company and the Company's Board of Directors. The aggregate compensation made to key management personnel is set out below:

	Quarter ended May 1, 2011	Quarter ended May 2, 2010
Short-term employee benefits	\$ 182,809	\$ 160,199
Post-employment benefits	10,125	10,125
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	11,544	19,538
	\$ 204,478	\$ 189,862

Services received from related parties

One of the Company's vendors, Laidlaw Carriers Van LP ("Laidlaw") is subject to significant influence by one the Company's directors. Laidlaw provided distribution services to the Company during the quarter ended May 1, 2011 aggregating to approximately \$87,865 (quarter ended May 2, 2010 - \$79,882). As at May 1, 2011, approximately \$53,488 (quarter ended May 2, 2010 - \$39,737) was outstanding to Laidlaw and included as trade payables.

There were no other instances where key management personnel engaged in any material transactions with the Company.

29. COMPARATIVES

Certain comparative figures have been adjusted to disclose them on the same basis as current period figures.

30. SUBSEQUENT EVENTS

On May 13, 2011, the Company announced that it had reached a settlement of the litigation brought against it and certain of its insiders by certain of its shareholders. As part of the settlement agreement, the Company and its co-defendants have agreed to keep the terms of settlement confidential.

INVESTOR & CONTACT INFORMATION

STOCK EXCHANGE AND LISTED SECURITIES

Brick Brewing Co. Limited is listed on the Toronto Stock Exchange (TSX) under the ticker symbol BRB.

INVESTOR AND ANALYST INQUIRIES

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Formosa Brewing Facility
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BOARD OF DIRECTORS

Peter J. Schwartz, Chairman
Stan G. Dunford
Edward H. Kernaghan
David R. Shaw
Lawrence Macauley
Perry Dellelce
Ted Hastings
John Bowey
George Croft

OFFICERS

George Croft, President and Chief Executive Officer
Jason Pratt, Chief Financial Officer
Russell Tabata, Chief Technical Officer