



***CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)***

SECOND QUARTER FISCAL 2018

Quarter Ended July 30, 2017

STATEMENTS OF COMPREHENSIVE INCOME

For the quarters ended July 30, 2017 and July 31, 2016

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

	Notes	Quarter ended		Fiscal year-to-date ended	
		July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Revenue	5	\$ 15,903,344	\$ 14,010,744	\$ 27,383,814	\$ 23,530,678
Cost of sales	6	11,341,500	8,826,721	19,336,899	15,014,453
Gross profit		4,561,844	5,184,023	8,046,915	8,516,225
Selling, marketing and administration expenses	6	2,691,116	2,708,217	4,809,423	4,589,419
Other expenses	6, 7	221,370	238,980	394,947	445,400
Finance costs		134,238	164,190	234,707	282,552
Income before tax		1,515,120	2,072,636	2,607,838	3,198,854
Income tax expense		395,441	438,000	701,402	775,865
Net income and comprehensive income		\$ 1,119,679	\$ 1,634,636	\$ 1,906,436	\$ 2,422,989
Basic earnings per share	9	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.07
Diluted earnings per share	9	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.07

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

STATEMENTS OF FINANCIAL POSITION

As at July 30, 2017 and January 31, 2017

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

	Notes	July 30, 2017	January 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	8	\$ 28,186,839	\$ 21,709,425
Intangible assets		15,567,708	15,499,186
Construction deposits		351,752	2,462,328
		44,106,299	39,670,939
Current assets			
Cash		-	2,831,959
Accounts receivable		12,004,245	7,035,714
Inventories		4,730,738	5,619,329
Prepaid expenses		1,033,201	593,180
		17,768,184	16,080,182
TOTAL ASSETS		61,874,483	55,751,121
LIABILITIES AND EQUITY			
Equity			
Share capital		39,662,042	39,651,096
Share-based payments reserves		853,709	943,565
Deficit		(1,974,662)	(2,758,560)
TOTAL EQUITY		38,541,089	37,836,101
Non-current liabilities			
Provisions		522,596	411,599
Obligation under finance lease		3,400,525	3,781,855
Long-term debt	10	6,686,525	2,498,580
Deferred income tax liability		783,791	82,389
		11,393,437	6,774,423
Current liabilities			
Bank indebtedness		1,050,335	-
Accounts payable and accrued liabilities		8,815,657	9,655,405
Current portion of obligation under finance lease		755,494	741,297
Current portion of long-term debt	10	1,318,471	743,895
		11,939,957	11,140,597
TOTAL LIABILITIES		23,333,394	17,915,020
TOTAL LIABILITIES AND EQUITY		\$ 61,874,483	\$ 55,751,121

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

On behalf of the Board:

"Peter J. Schwartz" Director "John H. Bowey" Director

STATEMENTS OF CHANGES IN EQUITY

As at July 30, 2017, January 31, 2017 and July 31, 2016

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

	Share Capital		Share based payments reserve	Deficit	Total equity
	Number of Shares	Amount (\$)			
At January 31, 2016	34,945,058	\$ 39,526,573	\$ 932,201	\$ (4,933,195)	\$ 35,525,579
Comprehensive income for the period	-	-	-	2,422,989	2,422,989
Shares repurchased and cancelled, including fees	(22,600)	(50,314)	-	-	(50,314)
Shares issued	4,800	7,968	-	-	7,968
Stock options exercised	69,688	102,002	(66,175)	-	35,827
Share-based payments	-	-	60,943	-	60,943
Dividends paid	-	-	-	(839,701)	(839,701)
At July 31, 2016	34,996,946	39,586,229	926,969	(3,349,907)	37,163,291
Comprehensive income for the period	-	-	-	1,573,823	1,573,823
Shares repurchased and cancelled, including fees	(72,900)	(216,542)	-	-	(216,542)
Shares issued	22,831	37,899	-	-	37,899
Stock options exercised	135,591	243,510	(69,753)	-	173,757
Share-based payments	-	-	86,349	-	86,349
Dividends paid	-	-	-	(982,476)	(982,476)
At January 31, 2017	35,082,468	39,651,096	943,565	(2,758,560)	37,836,101
Comprehensive income for the period	-	-	-	1,906,436	1,906,436
Shares repurchased and cancelled, including fees	(115,200)	(322,629)	-	-	(322,629)
Shares issued	2,123	5,711	-	-	5,711
Stock options exercised	264,586	327,864	(202,816)	-	125,048
Share-based payments	-	-	112,960	-	112,960
Dividends paid	-	-	-	(1,122,538)	(1,122,538)
At July 30, 2017	35,233,977	\$ 39,662,042	\$ 853,709	\$ (1,974,662)	\$ 38,541,089

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

STATEMENTS OF CASH FLOWS

For the quarters ended July 30, 2017 and July 31, 2016

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

Notes	Quarter ended		Fiscal year-to-date ended	
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Operating activities				
Net income	\$ 1,119,679	\$ 1,634,636	\$ 1,906,436	\$ 2,422,989
Adjustments for:				
Income tax expense	395,441	438,000	701,402	775,865
Finance costs	134,238	164,190	234,707	282,552
Depreciation and amortization of property, plant and equipment and intangibles	8 906,393	820,084	1,722,993	1,486,852
Share-based payments	11 69,856	34,184	112,960	60,943
Change in non-cash working capital related to operations	(2,685,301)	(1,536,856)	(5,400,606)	(2,376,846)
Less:				
Interest paid	(102,106)	(100,859)	(209,857)	(204,980)
Cash provided by (used in) operating activities	(161,800)	1,453,379	(931,965)	2,447,375
Investing activities				
Purchase of property, plant and equipment	8 (2,873,520)	(486,211)	(5,869,415)	(1,101,929)
Purchase of intangible assets	8 (6,915)	(1,613)	(197,065)	(67,633)
Cash used in investing activities	(2,880,435)	(487,824)	(6,066,480)	(1,169,562)
Financing activities				
Increase in bank indebtedness	1,050,335	-	1,050,335	-
Issuance of long-term debt	3,163,067	-	5,163,067	2,000,000
Repayment of long-term debt	(181,614)	(593,055)	(365,375)	(1,231,441)
Repayment of obligation under finance lease	(184,438)	(177,571)	(367,133)	(353,465)
Dividends paid	(1,122,538)	(839,701)	(1,122,538)	(839,701)
Issuance of shares, net of fees	538	-	5,711	7,968
Shares repurchased and cancelled, including fees	-	(49,259)	(322,629)	(50,314)
Proceeds from stock option exercise	60,274	31,893	125,048	35,827
Cash provided by (used in) financing activities	2,785,624	(1,627,693)	4,166,486	(431,126)
Net increase/(decrease) in cash	(256,611)	(662,138)	(2,831,959)	846,687
Cash, beginning of the period	256,611	1,902,470	2,831,959	393,645
Cash, end of the period	\$ -	\$ 1,240,332	\$ -	\$ 1,240,332

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

NOTES TO FINANCIAL STATEMENTS

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1. CORPORATE INFORMATION

Brick Brewing Co. Limited (“Brick” or the “Company”) is a Canadian-owned and Canadian-based publicly held brewery incorporated in Canada. Brick’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “BRB”. Brick’s head office is located in Kitchener, Ontario at 400 Bingham Centre Drive, N2B 3X9.

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

2. DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the Company were authorized for issue on September 7, 2017 by the Company’s Board of Directors.

3. BASIS OF PRESENTATION

3.1. STATEMENT OF COMPLIANCE

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements. These unaudited condensed interim financial statements are based on consistent accounting policies and methods of computation as those of Brick’s annual financial statements for the year ended January 31, 2017.

3.2. BASIS OF MEASUREMENT

Depending on the applicable International Financial Reporting Standards (“IFRS”) requirement, the measurement basis used in the preparation of these financial statements is cost, net realizable value, fair value or recoverable amount. These financial statements, except for the statements of cash flows, are prepared using the accrual basis.

3.3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency. All financial information presented has been rounded to the nearest dollar, unless otherwise stated.

3.4. SEASONALITY

The alcoholic beverage industry in Canada is seasonal in nature. 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.

3.5. CHANGE IN ACCOUNTING ESTIMATE

IAS 38 *Intangible Assets* (IAS 38) requires that the useful life of an intangible asset be reviewed at least at each financial year-end. As at January 31, 2017, the Company revised its estimate of the useful life of these assets from an indefinite to a finite useful life. A review of the useful lives of past listing purchases indicates that a portion of the listings purchased will fall short of the volume performance thresholds and be delisted, and therefore, have a finite life. Effective February 1, 2017, the Company, in order to reflect that a portion of the listings will have a finite life, began to amortize its listings, prospectively, over a 20-year period, which represents management’s best estimate of the expected average useful life of these assets. The Company estimates that amortization expense will increase by approximately \$250,000 annually.

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 accounting policies and the interpretation of accounting standards. Management periodically reviews its judgements and underlying assumptions related to 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.

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.

Critical judgments and estimates in applying accounting policies have the most significant effect on the following accounting balances: property, plant and equipment, intangible assets, deferred income taxes, and provisions.

5. REVENUE

The Company's revenue consists of the following streams:

	Quarter Ended		Fiscal year-to-date ended	
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Revenue from the sale of goods:				
Gross revenue	\$ 26,565,802	\$ 23,864,552	\$ 45,959,398	\$ 40,089,956
Less: Production taxes and distribution fees	14,156,628	12,674,092	24,877,395	21,327,856
Revenue (net)	12,409,174	11,190,460	21,082,003	18,762,100
Revenue from the rendering of services:				
Gross revenue	3,494,170	2,820,284	6,301,811	4,768,578
Total revenue	\$ 15,903,344	\$ 14,010,744	\$ 27,383,814	\$ 23,530,678

Services revenue is comprised of revenue generated from contract manufacturing. Brick utilizes available equipment and resources to perform contract manufacturing services for customers in order to generate incremental returns.

6. EXPENSES BY NATURE

Expenses relating to depreciation, amortization, impairment and personnel are included within the following line items on the statements of comprehensive income:

	Quarter ended		Fiscal year-to-date ended	
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Depreciation of property, plant & equipment				
Cost of sales	\$ 684,014	\$ 646,370	\$ 1,330,370	\$ 1,148,376
Other expenses	146,619	168,614	264,080	328,276
Amortization of intangible assets				
Other expenses	75,760	5,100	128,543	10,200
Salaries, benefits and other personnel-related expenses				
Cost of sales	2,233,100	2,079,236	4,027,364	3,559,338
Selling, marketing and administrative expenses	891,319	898,046	1,911,056	1,749,774
Other expenses	13,407	52,229	17,271	72,864

7. OTHER EXPENSES

The Company's other expenses consist of the following amounts

	Quarter ended		Fiscal year-to-date ended	
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Depreciation of property, plant & equipment	\$ 146,619	\$ 168,614	\$ 264,080	\$ 328,276
Amortization of intangible assets	75,760	5,100	128,543	10,200
Other personnel-related expenses	13,407	52,229	17,271	72,864
Foreign exchange (gains) losses	(14,416)	13,037	(14,947)	34,060
	\$ 221,370	\$ 238,980	\$ 394,947	\$ 445,400

8. 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	Equipment		
Cost or deemed cost											
Balance at February 1, 2016	\$ 421,488	\$ 5,049,878	\$ 6,558,379	\$ 23,064,180	\$ 1,550,909	\$ 264,242	\$ 235,775	\$ 212,614	\$ 5,819,378	\$ 43,176,843	
Additions	-	277,446	250,122	1,613,118	165,663	145,987	111,950	14,627	-	2,578,913	
Disposals	-	-	-	(117,345)	-	-	-	-	(336,301)	(453,646)	
Balance at January 31, 2017	421,488	5,327,324	6,808,501	24,559,953	1,716,572	410,229	347,725	227,241	5,483,077	45,302,110	
Cumulative depreciation and impairment											
Balance at February 1, 2016	-	(1,487,808)	(6,322,655)	(11,177,502)	(1,228,329)	(168,941)	(235,775)	(181,099)	(388,664)	(21,190,773)	
Depreciation charge for the year	-	(393,174)	(125,406)	(1,977,083)	(43,304)	(50,736)	(16,795)	(19,656)	(229,404)	(2,855,558)	
Depreciation on:											
Disposals	-	-	-	117,345	-	-	-	-	336,301	453,646	
Balance at January 31, 2017	-	(1,880,982)	(6,448,061)	(13,037,240)	(1,271,633)	(219,677)	(252,570)	(200,755)	(281,767)	(23,592,685)	
Net book value as at January 31, 2017	\$ 421,488	\$ 3,446,342	\$ 360,440	\$ 11,522,713	\$ 444,939	\$ 190,552	\$ 95,155	\$ 26,486	\$ 5,201,310	\$ 21,709,425	
Cost or deemed cost											
Balance at February 1, 2017	\$ 421,488	\$ 5,327,324	\$ 6,808,501	\$ 24,559,953	\$ 1,716,572	\$ 410,229	\$ 347,725	\$ 227,241	\$ 5,483,077	\$ 45,302,110	
Additions	-	(110,393)	780,971	7,246,238	151,886	3,162	-	-	-	8,071,864	
Disposals	-	-	-	(171,383)	-	-	-	-	-	(171,383)	
Balance at July 30, 2017	421,488	5,216,931	7,589,472	31,634,808	1,868,458	413,391	347,725	227,241	5,483,077	53,202,591	
Cumulative depreciation and impairment											
Balance at February 1, 2017	-	(1,880,982)	(6,448,061)	(13,037,240)	(1,271,633)	(219,677)	(252,570)	(200,755)	(281,767)	(23,592,685)	
Depreciation charge for the year	-	(156,442)	(72,673)	(1,114,942)	(80,641)	(26,997)	(19,031)	(10,290)	(113,434)	(1,594,450)	
Depreciation on disposals	-	-	-	171,383	-	-	-	-	-	171,383	
Balance at July 30, 2017	-	(2,037,424)	(6,520,734)	(13,980,799)	(1,352,274)	(246,674)	(271,601)	(211,045)	(395,201)	(25,015,752)	
Net book value as at July 30, 2017	\$ 421,488	\$ 3,179,507	\$ 1,068,738	\$ 17,654,009	\$ 516,184	\$ 166,717	\$ 76,124	\$ 16,196	\$ 5,087,876	\$ 28,186,839	

During the quarter ended July 30, 2017, the Company continued its previously announced plan to consolidate all operations to its Kitchener, Ontario facility. As a result of the expansion at the Kitchener facility, the estimate of the asset decommissioning costs was increased by \$91,873.

9. EARNINGS PER SHARE

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

	Fiscal year-to date ended	
	July 30, 2017	July 31, 2016
Net income for the period	\$ 1,906,436	\$ 2,422,989
Average number of common shares outstanding	35,055,258	34,967,860
Effect of options	1,052,929	251,473
Average number of diluted common shares outstanding	36,108,187	35,219,333
Basic earnings per share	\$ 0.05	\$ 0.07
Diluted earnings per share	\$ 0.05	\$ 0.07

10. LONG TERM DEBT

During the quarter ended July 30, 2017, the Company entered into a term loan agreement with HSBC Bank Canada ("HSBC") in the amount of \$3,000,000, bearing interest at a rate of 3.92% with monthly payments of \$40,907 until July 14, 2024.

During the quarter ended July 30, 2017, the Company refinanced an existing loan with Wells Fargo under the following terms: bearing interest rate of 4.0% with monthly payments of \$30,450 until June 9, 2021. An amount of \$163,067 was received on the refinancing of this loan.

11. CAPITAL STRUCTURE

The Company's capital structure consists of the following:

	July 30, 2017	January 31, 2017
Bank indebtedness (Cash)	\$ 1,050,355	\$ (2,831,959)
Total debt	12,161,015	7,765,627
Net debt	13,211,370	4,933,668
Equity:		
Share capital	39,662,042	39,651,096
Share-based payments reserves	853,709	943,565
Deficit	(1,974,662)	(2,758,560)
Total Equity	38,541,089	37,836,101
Total capitalization (net debt plus total equity)	\$ 51,752,459	\$ 42,769,769

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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BOARD OF DIRECTORS

Peter J. Schwartz, Chairman
David R. Shaw
Edward H. Kernaghan
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John H. Bowey
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OFFICERS

George Croft, President and Chief Executive Officer
Russell Tabata, Chief Operating Officer
Sean Byrne, Chief Financial Officer