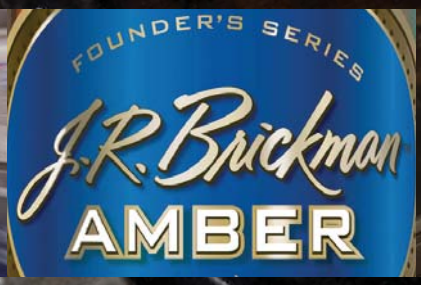
looking ahead...



BRICK®
BREWING CO. LIMITED

Brick Brewing Co. Limited Annual Report 2008

Corporate Profile

Brick Brewing Co. Limited is a regional brewer of award winning premium quality beers. The Company, founded by Jim Brickman in 1984, was the first craft brewery to start up in Ontario, and is credited with pioneering the present day craft brewing renaissance in Canada. Brick has complemented its successful line of premium craft beers with other popular brands such as Laker, Red Cap and Formosa Springs Draft. Brick operates two breweries in Ontario: a facility in Waterloo and the Formosa Springs Brewery in Formosa. The Company also operates distribution warehouses in Kitchener, Ontario and St. Bruno, Quebec.

Mission Statement
"We listen... We Brew"

A Canadian owned beer pioneer since 1984, our passion at the Brick Brewing Co. is to quench the thirst of beer drinkers by having them enjoy our high quality beer at a great value. We will be respected as an innovative community minded business that is growing, profitable and a great place to work.

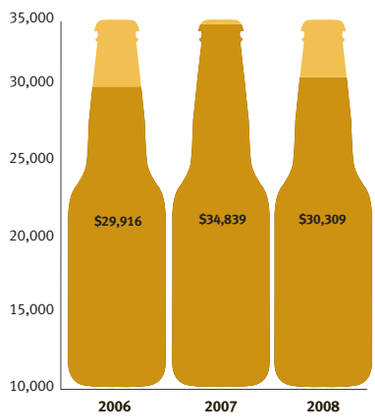
CONTENTS

Financial Highlights

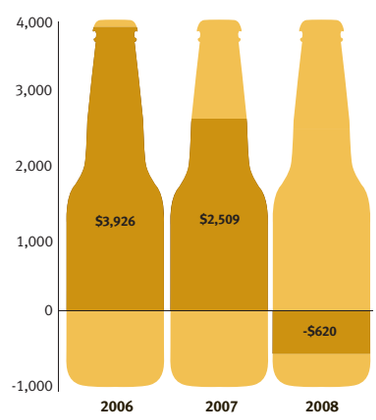
Years ended January 31

(in thousands of dollars except per share amounts)

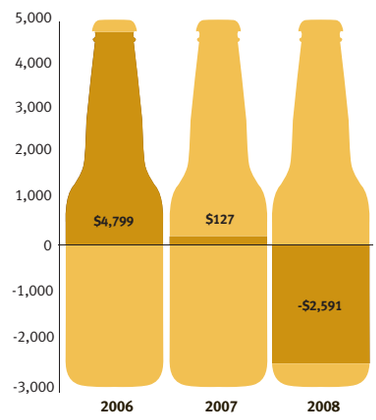
	2008	2007
Income Statement		
Net Revenue	30,309	34,839
Gross margin	5,885	10,478
Operating profit (EBITDA*)	(620)	2,508
Net earnings before income taxes	(2,875)	446
Net earnings	(2,591)	127
Earnings per share (diluted)	(0.12)	0.01
Balance Sheet		
Total assets	35,596	37,352
Shareholders equity	25,311	27,890
Operational Metrics		
Gross margin/Net sales	19.4%	30.1%
EBITDA margin/Net sales	-2.0%	7.2%



Net Revenue ($ thousands)



Operating Profit (EBITDA*)
($ thousands)



Net Income ($ thousands)
(excluding non-recurring items)

Except for the historical information contained herein, the discussion in this Annual Report 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 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", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements, which are not guarantees and reflect the Company's views as of April 22, 2008 with respect to future events and are subject to certain risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including the statements regarding expected volumes, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: volumes in the current fiscal year ending January 31, 2009 ("fiscal 2009") will continue to decline, no material changes in consumer preferences, operating efficiencies at the packaging and warehousing facility in Kitchener, Ontario will continue to be realized, input costs for brewing and packaging materials will continue to increase, competitive activity from other brewers will continue, no material change to the regulatory environment in which the Company operates and no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and to also refer to the rest of the discussion in this MD&A, the Company's annual information form and the Company's various public filings.

* *EBITDA is a non-GAAP earnings measure, therefore it does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.*

JIM BRICKMAN

Executive Chairman
and Founder
Brick Brewing Co. Limited

Dear Shareholder:

This past year was a challenging one for Brick Brewery during what was to be an important transitional period. Some of these challenges were anticipated and highlighted in our quarterly reports during the course of the year.

The biggest one of course, was losing our Ontario small brewers tax reduction benefit of $2.5 million, which in effect became the difference between profit and loss for the Company this past year. Knowing we had our work cut out for us, our manufacturing strategy was implemented, in part, to help offset this significant tax increase as we passed through the applicable qualifying volume threshold. In addition to this our input/commodity costs increased significantly in a multitude of areas and became a significant operating challenge for everyone in the beer industry.

Over the past few years, our Company's rapid growth in the value segment has been considerable and gratifying, however it also came with a new set of dynamics. The adjustment to becoming a much larger brewery creates its own complexities, such as added infrastructure and enhanced scale of operations. These issues for a growing company are not uncommon in business and will be continuously managed and addressed in the coming year.

Operating in a retail selling environment like The Beer Store, controlled by our competitors, presents all sorts of interesting challenges unique to the Ontario beer industry. With government support, we hope that this self-serving competitive influence through The Beer Store retail channel will soon be addressed and properly governed more fairly in the future. In the meantime, this is the reality of the current selling environment in Ontario and, as a result, it has been incumbent upon us to seek to find innovative ways and means to tackle these issues to our benefit.

The decision to commence a strategic review process early this past year added yet another element to an already full agenda. The review took longer than was expected but in retrospect, while the length and timing of this review was not opportune, we believed it was a necessary exercise to explore all alternative opportunities that could maximize shareholder value.

"Brick has stepped into a bigger arena now and we have certainly not gone unnoticed. We have made a positive impact in the marketplace and we will continue to challenge our larger competitors while keeping our entrepreneurial spirit alive and well."

As a result of these challenges, the Company's financial performance last year was disappointing. It became very clear during this period that changes and adaptations that were within our control needed to be implemented swiftly and a series of these took place during the latter part of last year. This has resulted in some encouraging comparative results in our fourth quarter that we hope will become more evident in the coming months ahead.

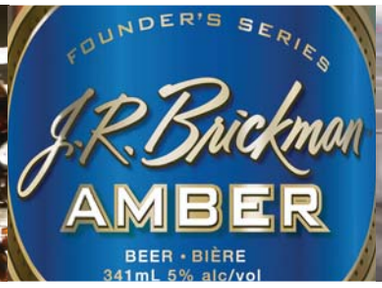
The Company has invested significantly in its operations over the last few years, moving closer to a scale-efficient Kitchener bottling and packaging facility for beer and a complementary, dedicated co-packing facility in Formosa.

Coming through this tough and challenging environment, Brick has emerged as a significant midsize player in the Ontario beer market, in among the much larger foreign brewers. We feel this places us in a unique position as an independent, standalone Canadian beer enterprise. From a marketplace perspective, we are also encouraged to see a continuing trend by consumers to either "trade up" to more interesting higher quality offerings or look for good quality equivalent brands at the lowest possible price. Brick not only actively participates in both of these growing segments but can take some credit in establishing these consumer trends.

No question, there is a lot of hard work ahead in this coming year. The marketplace will not get any easier and our competition is far from being complacent.

Fiscal 2009 will be an important year for Brick Brewing Company. We will continue to build a strong management team that knows how to compete and win in the beer industry. We will push for improvements in two key areas: driving productivity efficiencies and becoming a brand-led company.

First, in order to compete effectively, productivity has never been more critical. Under the current realities of rising costs, improved productivity throughout this year will be essential and the single most important objective for the Company. We are committed to becoming the most cost efficient producer possible while providing high quality value to our customers.



Second, every decision we make needs to strengthen and grow our brands. Strong brands and a solid reputation for building brands will enable our Company to grow our core business and attract brand focused co-pack/international partners.

We will seek to drive profitable revenue generation that is sustainable. We will continue to build upon our core brand momentum, realizing that this does not come without a serious, ongoing commitment to invest in marketing over the short and longer term. We must approach our marketing efforts differently, set ourselves apart and remain constantly relevant and innovative to our consumers.

Brick has stepped into a bigger arena now and we have certainly not gone unnoticed. We have made a positive impact in the marketplace and we will continue to challenge our larger competitors while keeping our entrepreneurial spirit alive and well. Our employees are up for the challenge and we look forward to the year ahead with renewed enthusiasm and excitement.

I would like to thank our team for their hard work and dedication and in particular for enduring the uncertainty of last year's strategic review. We look forward to the year ahead.

Have a great summer and please tell everybody about Brick Beer!

Cheers,

JIM BRICKMAN

Executive Chairman
and Founder
Brick Brewing Co. Limited

looking ahead...

with Efficient

Recent investments in our facilities have transitioned our manufacturing operations towards a scale-efficient Kitchener bottling, packaging and distribution facility for beer and a complementary, dedicated co-packing facility in Formosa.

Production Facilities

Over the past few years we have been successful in significantly increasing our volumes. This has required a transition to transform us from a small brewer to a scale efficient competitive mid-sized brewer. Our manufacturing strategy was a very important component of this transition and it involves a series of steps to upgrade our capabilities. This manufacturing strategy is not complete. Looking ahead... it contains a series of actions to seek to reduce costs over the course of the next fiscal year and beyond.

Recent investments in our facilities have transitioned our manufacturing operations towards a scale-efficient Kitchener bottling, packaging and distribution facility for beer and a complementary, dedicated co-packing facility in Formosa.




Currently we brew beer in Waterloo and Formosa and then package and distribute from our new facility in Kitchener, Ontario. This business model combines the ability to create hand-crafted small batch brands in our historic Formosa and Waterloo brewing operations with a scale-efficient packaging operation.

We have expanded brewing capacity to 350,000 hls and packaging capacity to 640,000 hls. Looking ahead...we believe these capacity additions will make our operations more cost effective, as well as position our brewing and packaging operations for future growth opportunities.

Currently, we package most of our beer in the Kitchener facility. Formosa's packaging capabilities are supplemental to our production plans. During the year we successfully added several new co-packing arrangements to this facility. Most notably, we entered into an agreement with Cadbury Schweppes to manufacture and package the Motts Caesar alcohol-based beverages. This agreement is a validation of our co-packing strategy, which is designed to diversify our revenues and provide significant additional volume to our existing production infrastructure in Formosa. Production of Mott's began in January 2008. Looking ahead... the Company is actively seeking additional co-packing opportunities to supplement the future utilization of the Formosa packaging facility.

Phrases like "Mak'er a Laker" and "Buck a beer" are easily recognized by Ontario value beer consumers. The familiarity of these brands to consumers helps ensure the strong competitive position Laker currently enjoys in the Ontario market.

Value Portfolio

With the Laker and PC® beer brands, we offer consumers quality beer at value prices. The value beer category has now matured and is estimated to represent approximately 40% of all beer consumed in Ontario. Although growth in the overall beer market is generally flat, value beer consumption in Ontario has continued to increase from approximately 18% to its present 40% market share over the last five years. We have been successful in implementing strategies to increase our volumes and share in the growing value beer category.

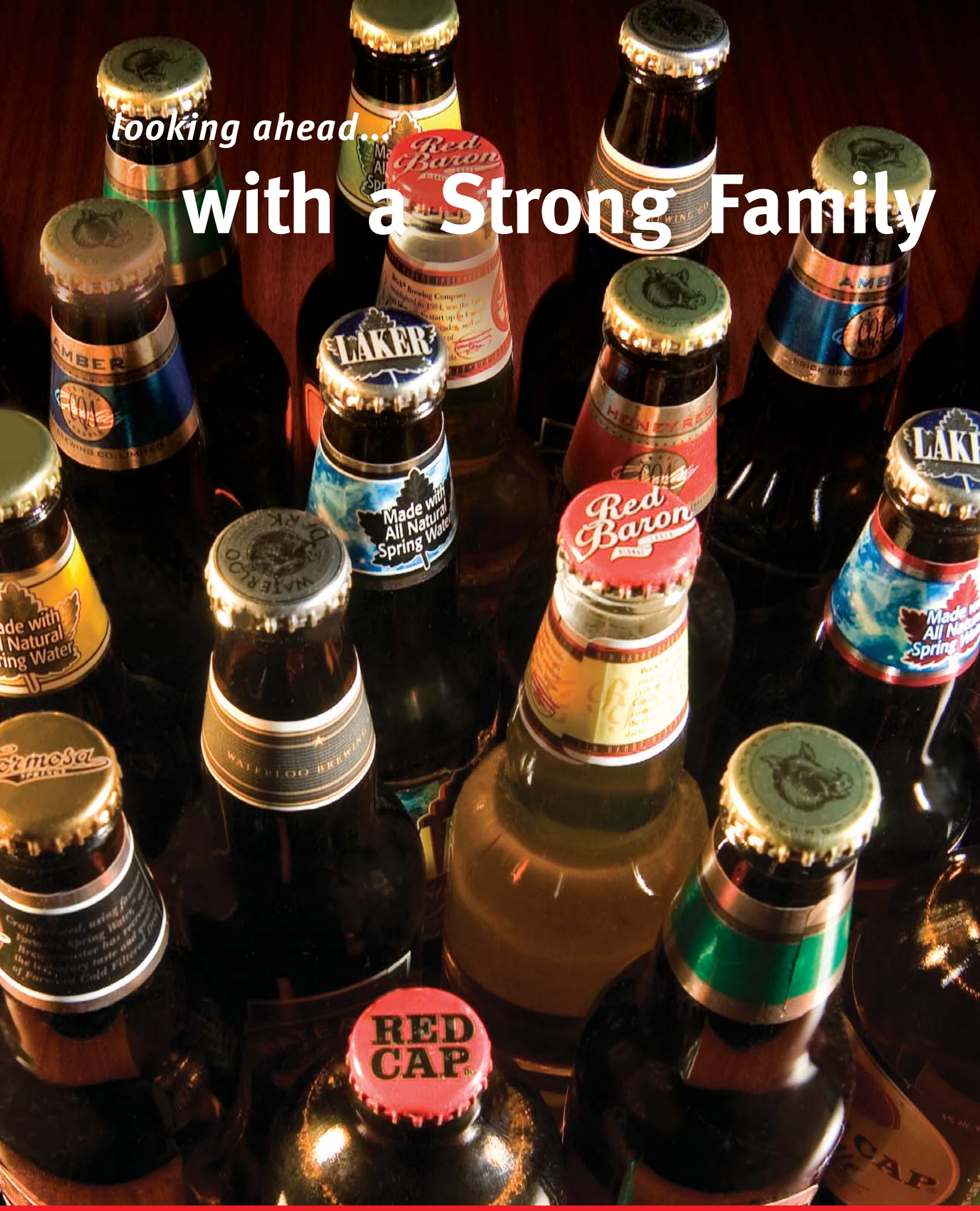
While growth of the value category in Ontario has slowed, our Laker brand enjoys a strong competitive position. Advertising support of the Laker brand has coined the phrases "Mak'er a Laker" and "Buck a beer" and these are easily recognized by Ontario value beer consumers. The familiarity of these brands to consumers helps ensure the strong competitive position they enjoy in the Ontario market.

While the volumes of the Laker brand declined in The Beer Store in the past year, looking ahead...we are implementing a number of selling and marketing strategies in an effort to maintain the competitiveness of our products in this very important channel.

We produce, distribute and sell PC® beer under license for Loblaws. This brand is highly recognizable by Canadians and it is a very popular choice for beer consumers. We also distribute PC® beer products in Quebec. This contract is important because it provides the volume base to develop our distribution for the first time in Quebec.

Due to the increased popularity and volumes of the Laker brand, we now have the necessary scale of operations to more cost effectively manufacture and distribute our products. We are able to deploy our own fleet of trucks to deliver directly to individual stores. This reduces our overall costs of delivery, provides improved customer service benefits and ensures our products are more readily available for consumers.

We were the first domestic brewer to offer value cans to complement its successful value bottles. Our Laker brand can volume has grown to 18% of the brand's total volume. We can supply Laker cans cost effectively as a result of a production agreement with High Falls Brewing, in Rochester, N.Y. We also represent the Genesee brands in Ontario, which are made by High Falls.



looking ahead...

with a Strong Family

We're proud of the beer we brew. That pride is reflected in the recognition of our brands from both our local consumers and international connoisseurs alike.

# of Brick Brands

"Jim Brickman: Ontario's first craft brewer." Brick Brewery's story is as simple as the love between a man and his beer. Jim figured there are as many tastes as there are people and if he wanted to make a great beer he'd better listen to a few of those people, which he is still doing today. In 1979 he began a journey of discovery that would take him to 68 breweries in 29 countries, where he learned the craft necessary to start Brick Brewery, which single-handedly sparked Ontario's craft-brewing renaissance. When launched, Brick was the first company in 37 years to receive a brewer's license in Eastern Canada. After more than two decades of brewing, Brick is still relentlessly committed to listening, brewing and innovating. The J.R. Brickman Founder's Series is handcrafted using only the finest natural ingredients, pure Formosa spring water, malted barley, imported hops and yeast.

A beer is only as good as the water it is brewed with. Ten thousand years ago receding glaciers deposited water so pure that even today it requires no special treatment to make great beer. Brewers discovered this salt-free underground aquifer in 1870 and today it is used with great care by Brick Brewing. From our value brands to our J.R. Brickman Founder's Series and in each bottle in between, Formosa Spring Water is a key ingredient of our process. There is no other brewery that can make this claim.

We're proud of the beer we brew. That pride is reflected in the recognition of our brands from both our local consumers and international connoisseurs alike. Our award winning brands recently collected eight medals from the Ontario Brewing Awards and World Beer Cup Awards for 2008.

Ontario Brewing Awards

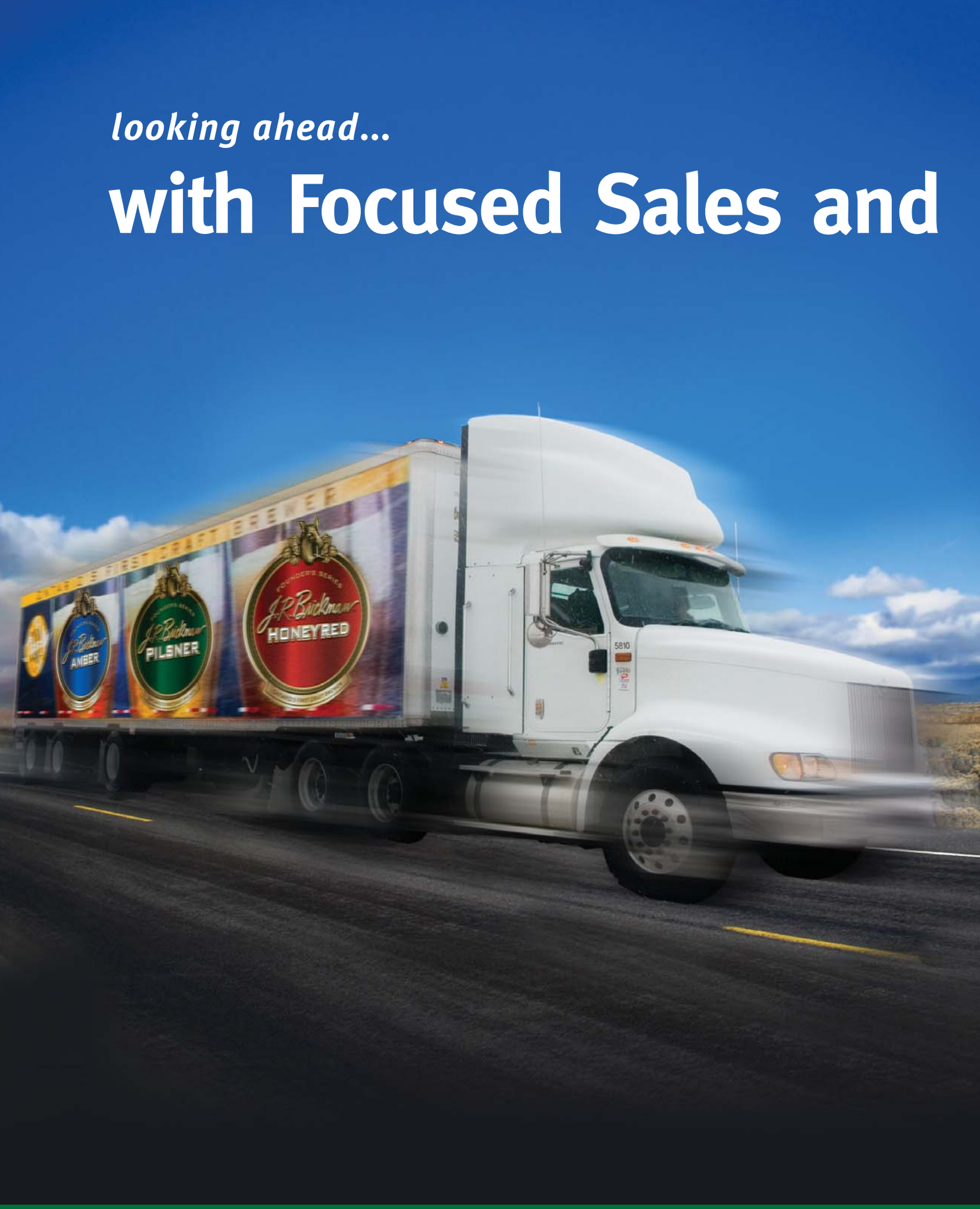
- Best North American Lager – Peoples Choice Award – Laker Lager
- Best Amber Lager – Peoples Choice Award – J.R. Brickman Amber
- Best Pilsner – Gold – J.R. Brickman Pilsner
- Best Honey Beer – Gold – J.R. Brickman Honey Red
- Best North American Light Lager – Silver – Formosa Springs Light
- Best Dark Lager – Silver – Waterloo Dark

World Beer Cup Awards

- American-Style Dark Lager – Bronze: Waterloo Dark
- Golden or Blonde Ale – Bronze: Red Cap

looking ahead...

with Focused Sales and



Our enhanced telemarketing activities are closely coordinated with the activities of our warehouse personnel, drivers and sales representatives thereby expanding the effectiveness of our increasing direct delivery initiatives.

Distribution Capabilities

Our centralized distribution and warehousing operations are located in our new 103,000 square foot Kitchener packaging facility. These operations are centrally located and provide efficient customer service benefits. Our enhanced telemarketing activities are closely coordinated with the activities of our warehouse personnel, drivers and sales representatives, thereby expanding the effectiveness of our increasing direct delivery initiatives.

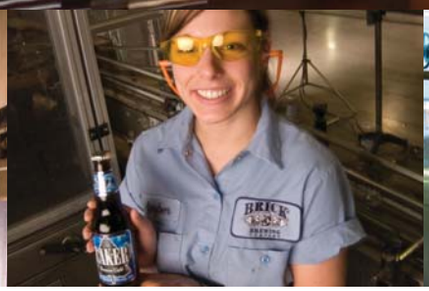
We have made an investment in our own truck fleet to reduce costs paid to third party carriers. The increase in volumes over the last couple of years now provide us with the scale to deliver directly to stores cost effectively, providing improved customer service and better field availability for our products.


We continue to invest in our information technology infrastructure. Our employees effectively share centralized information about our operations and the status of our products in the TBS and LCBO retail channels.

Our warehousing and distribution capabilities have expanded into Quebec. We are one of a select number of beer distributors with permits to deliver a variety of brands to Quebec consumers, who lack the brand diversity enjoyed by other Canadian beer markets. Looking ahead... this provides a base to further expand our product offerings in the Quebec market.

Uniquely positioned for expansion, Brick has an innovative joint venture with its sales agency Direct Cellars Beverage Co. Limited. With Direct Cellars as part of the Brick family, we have been successful in attracting other brands to leverage our selling capabilities in Ontario's LCBO, TBS and licensee channels. New representation agreements involving Diamond Estates Wine & Spirits Ltd., Wellington County Brewery, Flat Rock Cellars and Cadbury Schweppes began within the last year and have added increased opportunities to further expand sales coverage for the brand owners they represent. Looking ahead... we continue to look for additional sales representation opportunities.

looking ahead... with Great Employees



Our comprehensive Human Resources plan starts by asking our employees their opinions through surveys. The results of these annual employee surveys focus the HR activities in the Company. Looking ahead...the feedback from our employees will help us to continue to improve our business.

We take pride in our communications with employees; all managers have been provided with significant training. Executives meet with all employees at least four times per year to review operations and communicate changes and events happening in the business. The Company has performed an extensive review of its compensation, benefits and employment policies to ensure that they are competitive and clear to all employees.

Due to our rapid growth in recent years we have had to provide extensive training to employees. Many of our employees recently joined the Company and to make their transition smooth and productive, we provide extensive orientation and training programs for all our employees.

With the expansion of all our facilities, we have made numerous investments in our employee work environments, some cosmetic and some representing fundamental improvements to working conditions. We continue to review and make investments in our working facilities.

Our employees enjoy a variety of social activities together thanks to an active employee social committee. The Company strongly believes that an active social committee is important to good communication and morale.

Our team of skilled employees has endured a challenging year with the uncertainty of last year's strategic review. Their dedication and commitment to improvement ensures they are up for the challenge and they look forward to the year ahead with renewed enthusiasm.

We would like to thank all of our employees for their efforts toward the success of Brick Brewing. Looking ahead... your efforts will continue to be instrumental to our success as we transition the Company through the production tax increase that impacted us this past year.

Our team of skilled employees has endured a challenging year with the uncertainty of last year's strategic review. Looking ahead... it's their dedication and commitment which ensures they are up for the challenge as they look forward to the future.

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 (the "Company") for the twelve months ended January 31, 2008 ("fiscal 2008") in comparison with the twelve months ended January 31, 2007 ("fiscal 2007"). These comments should be read in conjunction with the financial statements and accompanying notes included herein. The comments were prepared as of April 22, 2008. Additional information relating to the Company, including its annual information form, is available at www.sedar.com or in the investor relations section of the Company's website at www.brickbeer.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions and include, for example, the statements concerning expected volumes, operating efficiencies and costs. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements, which are not guarantees reflect the Company's views as of April 22, 2008 with respect to future events and are subject to certain risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including the statements regarding expected volumes, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: volumes in the current fiscal year ending January 31, 2009 ("fiscal 2009") will continue to decline, no material changes in consumer preferences, operating efficiencies at the packaging and warehousing facility in Kitchener, Ontario will continue to be realized, input costs for brewing and packaging materials will continue to increase, competitive activity from other brewers will continue, no material change to the regulatory environment in which the Company operates and no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and, for more information regarding the risks, uncertainties and assumptions that could cause the Company's actual financial results to differ from the forward-looking statements, to also refer to the rest of the discussion in this MD&A, the Company's annual information form and various other public filings. The forward-looking statements included in this MD&A are made only as of April 22, 2008 and, except as required by applicable securities laws, the Company does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

DESCRIPTION OF THE BUSINESS

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

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

In Ontario, distribution of bottled beer occurs primarily through The Beer Store ("TBS") and the Liquor Control Board of Ontario ("LCBO"). The Company also distributes draft beer products directly to licensed establishments (bars and restaurants) in Ontario.

The Company's brewing facilities are located in Waterloo and Formosa, Ontario. The Company's primary packaging and warehousing facility is located in Kitchener, Ontario. The Company also has a warehousing facility in St. Bruno, Quebec and a packaging facility in Formosa which is presently dedicated to co-packing. The Company's head office is in Waterloo.

Management's Discussion and Analysis

SELECTED ANNUAL INFORMATION

The following table summarizes certain consolidated financial information of the Company for the years indicated below:

Years ended January 31

(in thousands of dollars, except per share amounts)

	Three Year Summary		
	2008	2007	2006
Income Statement Data			
Gross Sales	**$ 68,597**	$ 74,064	$ 61,974
Net Sales (after production taxes and distribution fees)	**$ 30,309**	$ 34,839	$ 29,916
Earnings/(Loss) before interest, income taxes, depreciation and amortization, non-recurring items and equity earnings	**$ (620)**	$ 2,508	$ 3,927
Net earnings/(loss)	**$ (2,591)**	$ 127	$ 4,799
Earnings/(Loss) per Share			
Basic	**$ (0.12)**	$ 0.01	$ 0.24
Fully diluted	**$ (0.12)**	$ 0.01	$ 0.24
Balance Sheet Data			
Total Assets	**$ 35,596**	$ 37,352	$ 32,926
Total Long Term Debt	**$ 3,899**	$ 4,789	$ 3,465

Management's Discussion and Analysis

RESULTS OF OPERATIONS

Results for the year ended January 31, 2008

(in thousands of dollars, except per share amounts)

	Year ended	
	2008	2007
Gross Revenue	$ 68,597	$ 74,064
Less: Production taxes and distribution fees	(38,288)	(39,225)
Net revenue	30,309	34,839
Cost of goods sold	24,424	24,360
Gross margin	5,885	10,478
	19.4%	30.1%
Selling marketing and administrative expenses	6,460	7,868
Earnings before the undernoted	(575)	2,611
Depreciation and amortization	(1,736)	(1,726)
Interest and other income/(expense)	(565)	(439)
Earnings before provision for income taxes	(2,875)	446
Provision for future income taxes	(285)	319
Net earnings	$ (2,591)	$ 127
Net earnings per share:		
Basic	$ (0.12)	$ 0.01
Diluted	(0.12)	0.01
Net Revenue Growth/(Decrease)	-13.0%	16.5%
Volume Growth/(Decrease)	-9.9%	17.6%

Management's Discussion and Analysis

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

(in thousands)	Year Ended	
	January 31, 2008	January 31, 2007
Net Earnings/(Loss)	$ (2,591)	$ 127
Add:		
Future income tax expense (recovery)	(285)	319
Amortization	1,736	1,726
Interest on long-term debt	444	400
Equity loss/(gain) on long-term investment	(26)	24
Subtotal	1,869	2,469
Less:		
Other interest income	102	(73)
Gain on disposal of fixed assets	–	(15)
Subtotal	102	(88)
EBITDA*	$ (620)	$ 2,508

NET REVENUE

Net revenues for fiscal 2008 were $30.3 million as compared to $34.8 million for fiscal 2007, a decrease for the year of 13.0%. Gross revenues decreased 7.3% to $68.6 million for fiscal 2008, compared to $74.1 million for fiscal 2007.

In fiscal 2008 the Company's marginal production tax rate increased by 11% or $2.5 million in aggregate additional taxes as compared to fiscal 2007. These increased production taxes are due to the Company no longer benefiting from the Ontario small brewer tax reduction in fiscal 2008.

In fiscal 2008 the Company's per unit distribution fees increased by 4% or $450 thousand in the aggregate compared to fiscal 2007. These increased distribution fees are a result of increased demand for the Company's products in the LCBO channel in the year compared to last year and because per unit distribution costs in the LCBO channel are higher. The Company also incurred higher distribution costs in fiscal 2008 compared to fiscal 2007 due to direct distribution activities in Quebec that occurred for only part of fiscal 2007.

In fiscal 2008, the Company's overall beer volumes decreased by 9.9% over last year. Management believes that this decrease is in large part attributable to the continuing effect of the recent changes implemented in the retail and marketing policies at TBS. To date, the Company has been unable to persuade TBS or the Ontario government that such new policies unfairly disadvantage Ontario small brewers.

While volumes of the Company's products decreased by 15% at TBS in the year compared to last year, volumes of the Company's products at the LCBO increased by 5% in the year compared to last year. The decreased volumes at TBS reduced net revenue by $3.7 million compared to last year.

Management's Discussion and Analysis

The Company's volumes of its mainstream and licensed brands decreased 5.5% during the year, due largely to decreased volumes of the Company's mainstream brands. The Company's Laker brand volumes decreased by 9.5% in the year compared to last year. Volume of Laker cans accounted for approximately 18% of Laker volumes in the year compared to 17% of Laker volumes last year. During the year the Company's premium brand volumes declined 13%, due to limited promotional support of these brands compared to the prior year. The Company expects that overall beer volumes will decline in the coming year but at a reduced rate as the Company plans to provide focused promotional support and targeted selling activities to increase the availability of its products at retail. At January 31, 2008 the Company's total market share by volume of TBS retail sales in Ontario was approximately 4%.

Revenues from co-pack activities were $1.1 million in fiscal 2008 compared to $485 thousand last year. These increased revenues reflect additional co-pack volumes from new contracts entered into during fiscal 2008.

COST OF GOODS SOLD

Cost of goods sold was $24.4 million for the year, approximately the same as last year. The per unit cost of goods for producing and distributing beer increased by 11% or $2.5 million in the aggregate in the year compared to the previous year.

Cost of goods sold in fiscal 2008 reflects higher per unit material and other input costs of $1.3 million compared to last year. These higher per unit costs were primarily for aluminum cans, brewing materials and glass bottles. The Company is continuing to seek to take efficiency measures to offset these increased costs by improving efficiencies in its operations, increasing the selling price on certain products and obtaining certain inputs from alternative sources. Due to increases in the prices of malted barley the Company anticipates that the per unit cost of brewing materials will further increase significantly in fiscal 2009. However, improved efficiencies in operations are expected to assist in offsetting these per unit cost increases.

Due to increased co-packing volumes in fiscal 2008 per unit cost of goods sold increased by $525 thousand in the aggregate compared to the same period last year. The Company's per unit warehousing costs increased by 4.3% or $80 thousand in the aggregate in the year compared to last year. The increased per unit costs reflect additional costs for expanded direct delivery and customer service functions in Ontario and Quebec, which were incurred for the full year in fiscal 2008.

The Company's per unit delivery costs increased by 15% or $296 thousand in the aggregate in the year compared to last year. The increased per unit delivery costs are due to increased costs for assembling and picking orders as the Company continued to expand its direct delivery to the LCBO and TBS channels.

The Company's per unit fixed manufacturing costs increased by 13% or $225 thousand in the aggregate in fiscal 2008 compared to the same period last year. These increased per unit costs are primarily due to the 9.9% reduction in volumes this year compared to the previous year. Certain efficiencies realized at the new Kitchener packaging facility contributed to reductions in per unit manufacturing costs in fiscal 2008 compared to the previous year. Manufacturing costs are expected to be reduced further in fiscal 2009 as this facility is expected to continue to gain improved efficiencies during the year.

In fiscal 2009 the Formosa facility will produce the Motts Caesar brand, which began production in January 2008. The Company will also package other co-packed products in Formosa. The Company also anticipates that increased seasonal demand for beer will require additional brewing from the Formosa facility.

SELLING, MARKETING AND ADMINISTRATION

Selling, marketing and administration expenses for the year decreased by $1.4 million to $6.5 million from $7.9 million in the previous year. One-time launch expenditures incurred in the previous year to market the new J.R. Brickman Founder's Series premium brands and decreased advertising spending in the current year are the primary reasons for the overall decreased expenditures in this fiscal year compared to last year. As a percentage of net sales, selling, marketing and administration expenses were 21.3% for the year compared to 22.6% for the previous year.

Management's Discussion and Analysis

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

DEPRECIATION AND AMORTIZATION

For the year ended January 31, 2008, total depreciation and amortization expense was $1.7 million compared to $1.7 million last year. Depreciation of property, plant and equipment was $1.6 million, which was the same as last year. Amortization of deferred costs and other assets was $133 thousand this year as compared to $142 thousand last year.

OTHER INCOME AND EXPENSES

For fiscal 2008, interest on long term debt was $444 thousand, compared to $400 thousand for fiscal 2007. The increase can be attributed to an increase in the Company's long term debt and obligations under capital leases outstanding, as well as increased interest rates, as compared to fiscal 2007.

In fiscal 2008, the Company recorded $26 thousand in equity earnings from the investment in Direct Cellars Beverage Co. ("Direct Cellars"), compared to a loss of $24 thousand in the same period last year.

During the year the Company recorded $102 thousand in other interest expense due to increased bank indebtedness. This compares to $73 thousand in interest income from investments in fiscal 2007. These amounts reflect this year's bank indebtedness as compared to a net cash position in fiscal 2007.

During fiscal 2008 the Company incurred $45 thousand in legal expenses related to its bottle dispute with TBS compared to $102 thousand in fiscal 2007. Examinations for discovery have been completed and the matter has been set down for trial, which is scheduled to commence in September, 2008.

Also in the year the Company recorded a future income tax recovery of $285 thousand compared to a $318 thousand expense last year. The income tax recovery was reduced by $580 thousand in fiscal 2008 and the income tax expense was increased by $88 thousand in fiscal 2007 to reflect enacted reductions to future tax rates.

NET EARNINGS

For the year ended January 31, 2008, net losses were $2.6 million compared to net earnings of $127 thousand last year. Basic and diluted loss per share for the year ended January 31, 2008 were $0.12 and $0.12 per share respectively, compared with basic and diluted earnings of $0.01 per share and $0.01 last year.

As at January 31, 2008 the Company had 21,845,695 common shares outstanding and 770,000 stock options outstanding and exercisable for the same number of common shares.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

At January 31, 2008, the Company had bank indebtedness of $2.8 million. This represents an increase of $2.8 million from a cash position of $54 thousand at January 31, 2007. This increase is due primarily to reduced cash from earnings this year and a $3.8 million issue of capital stock in fiscal 2007.

The Company's working capital position was $3.5 million at January 31, 2008 compared to $6.6 million at January 31, 2007.

Management's Discussion and Analysis

Current assets were $10.4 million at January 31, 2008 compared to $11.6 million at January 31, 2007, a decrease of $1.2 million during the fiscal year. During the year cash decreased by $54 thousand. The Company's inventories have decreased by $1.1 million in the year. Finished goods and work-in-process have decreased by $1.2 million and raw materials and supplies have decreased by $100 thousand. The current portion of future income taxes decreased by $25 thousand in fiscal 2008. Prepaid expenses were increased by $23 thousand in the year.

Property, plant and equipment decreased by $698 thousand at January 31, 2008 compared to January 31, 2007. The decrease is due to depreciation of $1.6 million, which is in excess of the $925 thousand of capital expenditures in the year, primarily for the Kitchener facility. Capital expenditures for fiscal 2009 are anticipated to be approximately $1.3 million and are primarily targeted to efficiency improvements in the Kitchener facility.

Deferred costs decreased by $254 thousand at January 31, 2008 compared to January 31, 2007. The decrease is due primarily to a change in accounting policy in the year, which resulted in a write-down of deferred finance charges of $151 thousand and amortization of $103 thousand.

Future income taxes have increased by $358 thousand at January 31, 2008 compared to January 31, 2007. The increase is a result of the Company recording a recovery for future income tax of $865 thousand against its net loss and a reduction of $580 thousand to the future tax asset to reflect lower future tax rates. The future taxes were also reduced by $47 thousand to reflect the adoption of new accounting policies and the change in the current portion of future income taxes.

The current liabilities were $6.9 million at January 31, 2008 compared to $5.0 million at January 31, 2007. This increase is due primarily to increased bank indebtedness of $2.8 million, offset by reduced accounts payables of $900 thousand due to reduced trade payables.

Long-term debt and obligations under capital leases have decreased by $907 thousand and $138 thousand, respectively, at January 31, 2008 compared to January 31, 2007. These decreases are due to repayment of long term debt and capital lease obligations during the year.

CASH FLOW

The Company used $837 thousand in cash from operating activities in the year ended January 31, 2008, compared to using $1.8 million in the previous year. The primary causes for this differential of $1.0 million are reduced generation of cash from earnings of $3.5 million this year compared to the previous year and a favourable working capital change in the period of $4.6 million, due primarily to reductions in inventory this year compared to inventory increases last year.

Financing activities used $1.1 million in cash during the year, compared to generating $5.7 million in the previous year, a difference of $6.7 million. The difference results from the Company obtaining, in fiscal 2007, an additional $2.75 million in net capital lease and long-term debt financing and also receiving an additional $3.8 million in proceeds from the issue of capital stock from the exercise of options and warrants previously granted.

Investing activities generated a net cash outflow of $949 thousand in the year compared to $4.4 million last year, a decrease of $3.4 million, primarily due to reduced capital expenditures for equipment. The total capital expenditures for the year were $949 thousand compared to $4.0 million last year, a decrease of approximately $3.05 million. This decrease can be attributed mainly to reduced expenditures for packaging equipment in the Kitchener facility. The capital expenditures in fiscal 2008 were primarily incurred for the Kitchener facility to support the storage, handling and packaging of additional brands and were funded through cash from operating activities. The Kitchener facility is expected to package substantially all of the beer produced by the Company in fiscal 2009. The Formosa facility provides additional brewing capacity, bringing total brewing capacity in Formosa and Waterloo to 350,000 hectolitres. In fiscal 2009 the Formosa facility will package the Motts Caesar production and other co-pack brands. The Company anticipates capital expenditures in fiscal 2009 to be approximately $1.3 million and plans to finance these through cash from operating activities.

There were no pre-operating costs in fiscal 2008, compared to costs of $345 thousand in the previous year.

Management's Discussion and Analysis

The Company had bank indebtedness of $2.8 million at January 31, 2008 compared to cash of $54 thousand at January 31, 2007. The Company has an authorized operating line of credit of $4.5 million at prime plus 0.25%. The Company's operating line is sufficient to fund current operating activities and cash requirements throughout the year. In addition to the operating line of credit, the Company has a term loan facility outstanding. The Company is not in compliance with certain financial covenants required under the term loan facility. The term lender has agreed not to demand repayment of the loan as a result of the covenant violation. The term lender has agreed to waive the covenant requirement at the next compliance date of July 31, 2008. The Company expects to be in compliance with all financial covenants at January 31, 2009.

The Company also utilizes several operating leases to finance office and computer equipment and software, warehouse and manufacturing equipment, cars, vans, forklifts, trucks, trailers and bottles. These assets typically have a shorter life expectancy and become obsolete very quickly. 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 13 to the Company's 2008 audited financial statements.

The Company has agreements to purchase materials from certain suppliers. These agreements do not have minimum or maximum purchase commitments.

A summary of the Company's contractual obligations for the next five years is as follows:

	Payments Due by fiscal year in ($000)					
Contractual Obligation	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Long Term Debt	907	924	816	502	300	3,449
Capital Leases	169	155	155	138	0	617
Operating Leases	1,739	1,663	1,339	1,036	911	6,688
Total Contractual Obligations	**2,815**	**2,742**	**2,310**	**1,676**	**1,211**	**10,754**

Brick does not currently pay dividends on its common shares. The Board of Directors of the Company believes that the cash flow of the Company at the current time should be reinvested to finance current activities. Dividend policy is reviewed from time to time.

RISK FACTORS, STRATEGIES AND OUTLOOK

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

The Company anticipates continued declines in its beer volumes, however the rate of decline is expected to moderate due to increased selling and marketing support focused in the value category. The Company expects to increase the level of direct advertising support for its Laker brands in fiscal 2009 as compared to fiscal 2008.

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

The Company will continue to focus on fiscal controls and targeted capital expenditures as volume growth slows. The Company will continue to review, and where feasible reduce, distribution costs and administrative and operating overheads to ensure both the capabilities and costs of these functions meet the strategies of the Company.

Management's Discussion and Analysis

The Company has recently upgraded its manufacturing and distribution capabilities. The Company's manufacturing strategy contains a series of actions to reduce costs over the course of the next fiscal year and beyond.

The Kitchener packaging facility is expected to continue to gain improved efficiencies during fiscal 2009 and contribute further to reducing variable manufacturing costs. During fiscal 2008, the Company relocated substantially all beer packaging to Kitchener, seeking to reduce annual variable manufacturing costs and duplicate overhead costs. In January 2008 the Company began packaging the Motts Caesar brand for Cadbury Schweppes in Formosa. The Company is actively seeking additional co-packing opportunities to supplement the future utilization of the Formosa packaging facility.

The Company has permits to distribute beer in the province of Quebec and it distributes certain of its products directly to retailers. Prior to that, the Company's products were distributed in Quebec by a third party distributor. This transition provides the Company with improved distribution capabilities for its own and partner brands in Quebec. The Company believes that this new distribution capability will provide increased sales and improved customer service benefits in Quebec. The Company will also continue to investigate geographic expansion opportunities outside of its core Ontario markets.

In fiscal 2009, the Company anticipates manufacturing input costs for brewing materials to increase due to increases in the cost of malted barley. The Company expects operational efficiencies will assist in reducing costs to offset these increases.

Direct Cellars represents a variety of alcoholic beverages brands to the LCBO, licensed establishments and more recently TBS. The Company has a 50% ownership in this sales agency. The Company is seeking to attract a variety of other brands in order to seek to bring critical mass to the selling efforts for this agency into the LCBO, TBS and licensee channels, strengthen its current position in the market and increase opportunities for market share expansion.

The Company launched a variety of other Laker can formats in fiscal 2008 as it continues to compete in this underdeveloped and growing category. Laker cans are produced under license by High Falls. In fiscal 2008 the Company launched the popular Waterloo Dark brand in a 473ml can and it was available in select TBS stores. In fiscal 2009 the Company anticipates launching other brands in cans into the LCBO channel.

The Company commenced an action against TBS on October 28, 2002 in the Ontario Superior Court of Justice to seek to compel TBS to comply with its contractual obligations under Brick's user agreement with TBS. As part of the proceedings, Brick sought an interlocutory injunction against TBS as a result of TBS threatening Brick that it would no longer release to Brick its share of empty industry standard bottles for re-use. The Company was successful in obtaining the interlocutory injunction in February 2003. The lawsuit seeks, among other things, a permanent injunction to allow the Company to continue to offer products to consumers in a variety of bottles as well as the industry standard bottle. Examinations for discovery have been completed and the matter has been set down for trial, with a court date scheduled for September 2008.

On October 31, 2007 the Board announced the resignation of the Company's President and Chief Executive Officer, effective November 2, 2007. A sub-committee of the Board was formed to evaluate potential internal and external candidates for the position. The sub-committee search continues and it will make recommendations as soon as practicable to the Board to fill the position on a permanent basis. In the meantime, Jim Brickman, Executive Chairman/Founder, was appointed interim President and CEO.

SUMMARY OF QUARTERLY RESULTS

$(000's)	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net Revenue	6,271	7,542	9,625	6,872	7,550	8,692	11,431	7,667
Selling, general & administration	1,130	1,394	1,670	1,693	2,041	1,731	2,558	1,606
EBITDA	(116)	(674)	942	(771)	(557)	552	1,912	630
Net Income\(Loss)	(1,118)	(858)	283	(898)	(1,000)	40	962	126
EPS (Basic)	(0.05)	(0.04)	0.01	(0.04)	(0.05)	0.00	0.05	0.01
EPS (Diluted)	(0.05)	(0.04)	0.01	(0.04)	(0.04)	0.00	0.05	0.01

Management's Discussion and Analysis

SIGNIFICANT FOURTH QUARTER EVENTS

During the fourth quarter of fiscal 2008 gross revenues were $14.0 million, as compared to $16.5 million in the same period last year, a decrease of 15%. Gross revenues for the fourth quarter included revenues of $498 thousand from co-pack activities, an increase from $183 thousand in the previous year. In the quarter, beer volumes decreased by 14% over the same period last year.

Net revenues for the fourth quarter were $6.3 million compared to $7.5 million in the fourth quarter last year, a decrease of 17%. Net revenues are calculated by deducting from gross sales revenues the costs of distribution fees paid to TBS and the LCBO and production taxes. While volumes of the Company's products decreased by 15% at TBS in the year compared to last year, volumes of the Company's products at the LCBO increased by 5% in the year compared to last year. The decreased volumes at TBS reduced net revenue in the quarter by $737 thousand compared to the same quarter last year.

In the fourth quarter the Company's marginal production tax rate increased by 13.8% or $717 thousand in aggregate additional taxes, compared to the fourth quarter last year. These increased per unit production taxes are due primarily to the Company no longer benefiting from the Ontario small brewer tax reduction, as well as increased excise taxes in fiscal 2008.

During the quarter the Company temporarily discontinued essentially all brewing and packaging operations in Formosa, except for a small amount of brewing. However in January, 2008 the Company restarted its Formosa operation and began production of the Motts Caesar brand at this facility. The Company will also require additional brewing from this facility in the first quarter of fiscal 2009 due to increased seasonal demand for beer.

Selling, marketing and administration activities costs decreased by $910 thousand in the fourth quarter over the fourth quarter last year, due primarily to reductions in ongoing overhead expenditures.

In the quarter future income taxes were charged with an expense of $580 thousand, in order to adjust the future tax asset for changes in future tax rates that were enacted in the quarter.

EBITDA* was a loss of $116 thousand in the fourth quarter of fiscal 2008, compared to a loss of $557 thousand in the fourth quarter of fiscal 2007.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's accounting policies are discussed in detail in note 1 to the Company's fiscal 2008 audited financial statements.

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

Handbook Section 1530, *Comprehensive Income*, establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. Effective for the year ended January 31, 2008 there were no adjustments to income and the statement of comprehensive income is unchanged from the statement of earnings and deficit.

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

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

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

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

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

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

The adoption of Handbook Sections 3251, 3861 and 3855 had no significant impact on the financial statements for the year ended January 31, 2008. An adjustment of $103,176 was required to the opening deficit to adjust for deferred finance charges at February 1, 2007. There were no other adjustments to comprehensive income or net income.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are discussed in note 14 to the Company's fiscal 2008 audited financial statements.

On February 1, 2005 the Company acquired a 50% interest in Direct Cellars. Direct Cellars provides sales agency services to the Company. The cost of services was $502 thousand and $587 thousand for the years ended January 31, 2008 and 2007, respectively. At January 31, 2008, Direct Cellars owed the Company $90 thousand (January 31, 2007 – $90 thousand). This amount is included in accounts receivable. During the year ended January 31, 2008, the Company recorded income of $26 thousand from this affiliate compared to a loss of $24 thousand for the same period last year.

Management's Discussion and Analysis

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), 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.

Returnable Containers

Returnable containers are recorded as inventory, at cost. The Company amortizes returnable containers using accounting estimates. Returnable containers are recorded at cost net of deposit liabilities and are amortized over their useful lives. To estimate the useful life, management takes into account return rates and number of uses. The Company estimates useful lives using historical trends and internal studies. There is uncertainty in these estimates in that actual experience may vary from these estimates. The Company is not aware of any facts that would cause it to believe that the estimates used are materially incorrect.

Intangible Assets and Goodwill

Indefinite life intangible assets consist of brands and listing fees. These assets are recorded at cost and are not amortized but instead are tested for impairment annually or when indicated by events or changes in circumstances, by comparing the fair value of the assets to their carrying value. Impairment tests involve using discounted cash flows to value the assets. There is uncertainty in these estimates as the related cash flows 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 cash flows differ from management's estimates, an impairment of these assets and a related write-down may result. The Company believes that these estimates are materially correct.

Future income tax asset

The Company has recorded an income tax asset. The Company has determined it has met the "more likely than not test" required by the CICA Handbook section 3465 "Income Taxes" for these assets to be recorded.

Stock based compensation

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 year ended January 31, 2008 was $80 thousand (fiscal 2007 – $131 thousand). Assumptions regarding expected stock volatility and risk free interest rates are required to calculate the fair value of the consideration received.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive 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 January 31, 2008 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 fiscal year then ended.

Management's Discussion and Analysis

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") for the Company. In the course of evaluating its ICFR as at January 31, 2008, the Officers have identified certain disclosable weaknesses in the areas of complex transactions and the segregation of duties, caused by limited staffing resources, These weaknesses, which are listed below, are reported in accordance with Canadian Securities Administrators Staff Notice 52-316 and are considered to be common areas of deficiencies for many smaller listed companies in Canada.

The Company does however review its financial results at least on a quarterly basis with its Audit Committee and it also consults with its external auditors on a periodic basis regarding such matters. As a result, the Officers believe its disclosure controls and procedures are effective due to their knowledge of the business, despite the disclosable weaknesses.

Accounting for Complex and Non-Routine Transactions

The Company has identified disclosable weaknesses with respect to accounting for complex and non-routine transactions. Specifically in fiscal 2008, this matter involved income taxes, stock based compensation and accounting for leases. With regards to the recording of future income taxes and income tax expense, including related disclosures, the Company does not have a sufficient number of accounting personnel with adequate technical accounting and GAAP knowledge related to income tax accounting and reporting. As a result, the Company's processes, procedures and controls related to the preparation and review of the income tax accounts is a disclosable weakness. With respect to stock based compensation and leasing transactions the Company does not have adequate personnel with adequate GAAP knowledge. As a result the Company's processes, procedures and controls related to these transactions are disclosable weaknesses. The Company is providing training to personnel in the areas of income tax accounting, stock based compensation and accounting for leases to remediate these weaknesses.

Segregation of Duties

The Company has identified a weakness within its accounting and finance department and its financial information systems over segregation of duties. 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.

FINANCIAL INSTRUMENTS

The Company does not enter into contractual agreements involving financial instruments to hedge underlying exposures to foreign exchange, interest rates and commodity markets.

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 2009 and has entered into fixed price contacts for approximately 33% of its anticipated volume for the year.

* *EBITDA is a non-GAAP earnings measure, therefore it does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.*

Auditors' Report

To the shareholders of Brick Brewing Co. Limited

We have audited the consolidated balance sheets of Brick Brewing Co. Limited as at January 31, 2008 and 2007 and the consolidated statements of income, comprehensive income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Waterloo, Canada
March 21, 2008

Consolidated Balance Sheets

January 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash	$ –	$ 53,852
Accounts receivable	2,570,768	2,590,199
Inventories *(note 4)*	7,276,941	8,381,787
Future income taxes *(note 14)*	54,799	80,046
Prepaid expenses	509,995	487,294
	10,412,503	11,593,178
Property, plant and equipment *(note 5)*	16,989,347	17,687,452
Long-term investment *(note 6)*	105,582	79,190
Trademarks and listings fees	5,429,795	5,407,021
Deferred costs *(note 7)*	383,650	637,603
Other assets *(note 8)*	212,500	242,500
Future income taxes *(note 14)*	2,062,610	1,705,044
	$ 35,595,987	$ 37,351,988
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank Indebtedness	$ 2,790,750	$ –
Accounts payable and accrued liabilities	3,038,317	3,911,922
Current portion of long-term debt *(note 10)*	906,600	890,400
Current portion of obligations under capital lease *(note 11)*	137,854	204,119
	6,873,521	5,006,441
Long-term debt *(note 10)*	2,991,900	3,898,500
Obligations under capital leases *(note 11)*	419,281	557,136
Shareholders' equity:		
Share capital *(note 12)*	31,539,112	31,503,655
Contributed surplus	624,413	544,694
Deficit	(6,852,240)	(4,158,438)
	25,311,285	27,889,911
Commitments *(note 15)*		
	$ 35,595,987	$ 37,351,988

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Income, Comprehensive Income and Deficit

Years ended January 31, 2008 and 2007

	2008	2007
Revenue:		
Gross Revenue	$ 68,597,053	$ 74,064,006
Less: Production taxes and distribution fees	(38,287,563)	(39,225,210)
Net Revenue	30,309,490	34,838,796
Cost of goods sold	24,424,069	24,360,489
Gross margin	5,885,421	10,478,307
Selling, marketing and administration	6,459,944	7,867,657
Earnings (loss) before the undernoted	(574,523)	2,610,650
Other income (expenses):		
Bottle dispute	(45,343)	(102,221)
Interest on long-term debt	(444,344)	(400,153)
Other interest expense	(102,004)	72,585
Amortization	(1,735,513)	(1,726,140)
Gain on disposal of fixed assets	–	15,000
Equity (loss) earnings on long-term investment	26,392	(24,200)
	(2,300,812)	(2,165,129)
Net earnings (loss) before provision for income taxes	(2,875,335)	445,521
Future income tax expense (recovery) *(note 14)*	(284,709)	318,775
Net Income (loss) and Comprehensive Income (loss)	(2,590,626)	126,746
Deficit, beginning of year	(4,158,438)	(4,285,184)
New accounting policy, net of tax *(note 2)*	(103,176)	–
Deficit, end of year	$ (6,852,240)	$ (4,158,438)
Net earnings/(loss) per share *(note 18)*:		
Basic	$ (0.12)	$ 0.01
Diluted	(0.12)	0.01

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended January 31, 2008 and 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Net earnings (loss)	$ (2,590,626)	$ 126,746
Items not involving cash:		
Amortization of property, plant and equipment, deferred assets & other assets	1,757,309	1,757,938
Stock-based compensation	79,719	130,994
Equity loss (earnings) on long-term investment	(26,392)	24,200
Future income taxes	(284,709)	318,775
Change in non-cash operating working capital	227,694	(4,164,805)
	(837,005)	(1,806,152)
Financing:		
Increase in bank indebtedness	2,790,750	–
Repayment of long-term debt	(890,400)	(676,200)
Issue of capital stock	35,457	3,786,533
Issuance of long-term debt	–	2,000,000
Proceeds from obligations under capital lease *(note 11)*	–	750,000
Repayment of obligations under capital leases	(204,120)	(193,005)
	1,731,687	5,667,328
Investments:		
Purchase of property, plant and equipment, listing fees & deferred assets	(948,534)	(3,969,692)
Pre-operating costs	–	(344,506)
	(948,534)	(4,314,198)
Decrease in cash	(53,852)	(453,022)
Cash, beginning of year	53,852	506,874
Cash, end of year	$ –	$ 53,852
Supplemental cash flow information:		
Cash paid for interest	$ 380,429	$ 387,998

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended January 31, 2008 and 2007

Brick Brewing Co. Limited (the "Company") operates two breweries and a bottling facility serving primarily the Ontario market. The Company's primary business is the brewing and marketing of bottled beer as well as draught beer in kegs. The Company's products are marketed through the facilities of The Beer Store, the Liquor Control Board of Ontario, which comprise 91% of sales, and to licensed establishments.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Revenue recognition:

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Net revenue represents gross revenues, less applicable federal and provincial production, environmental and excise taxes and less distribution services charges levied by applicable provincial liquor boards and government approved distribution agents.

(b) Investments in marketable securities:

Interest bearing financial assets intended to be held to maturity are carried at amortized cost. Interest is recognized on an effective yield basis. These investments are written down to their estimated realizable value when this amount is less than amortized cost, unless the Company has reason to believe it will be able to recover the carrying amount. Other short term investments classified as held for trading or available for sale are carried at fair value.

(c) Inventories:

Raw material, supplies, and promotional items are valued at the lower of cost, on a first in, first out basis, and replacement cost. Work-in-process and finished goods are valued at the lower of average cost (including direct materials, labour and overhead costs) and net realizable value. Returnable containers are recorded at cost net of amortization over their estimated useful lives.

(d) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Expenditures which significantly increase the life of an asset are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Amortization is provided using the following method and annual rates:

Asset	Basis	Rate
Buildings	Straight-line	3%-5%
Storage tanks	Straight-line	3%-6%
Equipment	Straight-line	3%-20%
Computer equipment	Straight-line	20%-50%
Vehicles	Straight-line	30%
Assets under capital leases	Straight-line	30%-50%

(e) Long-term investments

The investment in a significantly influenced company is accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post acquisition earnings or losses less dividends. The excess of the cost of the shares of the associated company over the net book values of its net assets on the date of acquisition amounted to $140,000.

(f) Impairment of long-lived assets:

Long-lived assets, including property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(g) Intangible assets:

Intangible assets acquired both individually or with a group of other assets are initially recognized and measured at cost. Costs incurred in the maintenance of the service potential of an intangible asset are expensed as incurred.

Management has determined that trademarks and listing fees are indefinite life intangible assets. As such, the assets are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

The Company performed the annual impairment test, as required under the CICA Handbook Section 3062, in the fourth quarter of 2008 and concluded that there was no impairment on trademarks and listing fees. As a result, the second step of the annual impairment test under Section 3062 was not required to be performed.

(h) Deferred pre-production costs:

Deferred pre-production costs represent costs incurred in establishing new production lines which require time to reach commercial production capability. Amortization is provided on a straight-line basis at 20% per year.

(i) Net earnings per share:

Basic net earnings per share have been calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted net earnings per share have been calculated similar to basic net earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of warrants and stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the period.

(j) Stock-based compensation:

The Company accounts for all stock-based payments to employees and non-employees, using the fair value based method. Consideration paid by employees on the exercise of stock options is recorded as share capital.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date are measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards to employees, is measured at fair value at the grant date and recognized over the vesting period. For awards that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost is recognized on a pro rata basis over the vesting period.

(k) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The Company's accounts which involve a greater degree of uncertainty include the carrying values of inventory, trademarks and listing fees, deferred costs, other assets and future income tax assets.

2. CHANGES IN ACCOUNTING POLICIES:

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

Handbook Section 1530, *Comprehensive Income*, establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. Effective for the first quarter ended April 30, 2007 there were no adjustments to income the statement of comprehensive income is unchanged from the statement of earnings and deficit.

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

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

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

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

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

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

The adoption of Handbook Sections 3251, 3861 and 3855 resulted in an adjustment of $103,176 required to the opening deficit to adjust for deferred finance charges, net of tax, at February 1, 2007. There were no other adjustments to comprehensive income, or net income.

3. FUTURE ACCOUNTING CHANGES:

The following summarizes future accounting policy changes that will be relevant to the Company's financial statements for fiscal periods beginning on or after January 31, 2008.

Inventories

Effective January 1, 2008, the new CICA handbook Section 3031 "Inventories" will replace existing Section 3030 "Inventories" to be consistent with the International Accounting Standards for inventories. The new section requires inventories to be measured at the lower of cost or market and net realizable value, which is consistent with the Company's current policy for measuring inventories held for resale. Further, this section defines what constitutes cost, defining what is to be included and excluded in the determination of cost, and expands the disclosure requirements for inventory. The impact of the adoption of this standard is not yet known or reasonably estimable.

4. INVENTORIES:

	2008	2007
Promotional items	$ 97,085	$ 117,988
Returnable containers	3,836,859	3,721,506
Raw materials and supplies	2,003,263	1,970,099
Work-in-process and finished goods	1,339,734	2,572,194
	$ 7,276,941	$ 8,381,787

5. PROPERTY, PLANT AND EQUIPMENT:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 275,000	$ –	$ 275,000	$ 275,000
Buildings	3,110,477	1,390,758	1,719,719	1,787,839
Storage tanks	1,074,030	646,637	427,393	456,711
Equipment	24,354,019	10,475,857	13,878,162	14,280,298
Computer equipment	786,582	734,204	52,378	131,821
Vehicles	188,815	188,815	–	–
	29,788,923	13,436,271	16,352,652	16,931,669
Property under capital leases:				
Assets under capital leases	1,048,218	411,523	636,695	755,783
	$ 30,837,141	$ 13,847,794	$ 16,989,347	$ 17,687,452

Amortization of plant and equipment totaled $1,623,865 (2007 – $1,616,264).

6. LONG-TERM INVESTMENTS:

On February 1, 2005, the Company acquired a 50% interest in Direct Cellars Beverage Co., a sales agency in the alcohol based products industry, for cash consideration of $60,000. The Company is accounting for the investment using the equity method.

7. DEFERRED COSTS:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Financing costs	$ 190,346	$ 190,346	$ –	$ 150,509
Pre-production costs	580,338	203,117	377,221	483,717
Trailer decal costs	30,900	9,442	21,458	26,608
Gain on disposal of assets	(32,800)	(17,771)	(15,029)	(23,231)
	$ 768,784	$ 385,135	$ 383,650	$ 637,603

Deferred pre-production costs represent costs associated with establishing a new production line until it attained commercial production capability. For fiscal 2008, the Company incurred costs of NIL (2007 – $344,506). Amortization of deferred pre-production costs was $106,498 (2007 – $96,621).

Deferred gain on disposal of assets, net of amortization, of $15,029 (2007 – $23,231) relates to a gain on the sale of bottles and subsequently financed with an operating lease. The gain is being amortized over four years, being the term of the current lease. Amortization of the deferred gain on disposal of assets was $8,202 (2007 – $8,202).

Deferred trailer decal costs represent costs to decal delivery vehicles, net of amortization, of $21,458 (2007 – $26,608). Amortization of deferred trailer decal costs totaled $5,150 (2007 – $4,292).

8. OTHER ASSETS:

Other assets include $300,000 paid to a third party to offset the costs of upgrades to a waste treatment facility. In the agreement the Company will receive reduced fees for the treatment of its waste water effluent for a period of ten years. Other assets costs are being amortized over the term of the agreement. Amortization for the year was $30,000 (2007 – $30,000).

9. BANK INDEBTEDNESS:

The Company has a bank operating line of credit with interest at prime plus 0.25%. The operating line is secured by a general security agreement over all assets other than real property and a collateral mortgage in the amount of $5,500,000 over real property.

10. LONG-TERM DEBT:

	2008	2007
Mortgage payable, bearing interest at the lender's floating base rate plus 2.75% (7.836% at January 31, 2008), with monthly interest payments for 12 months of the year and six monthly principal payments of $50,000 from May to October, maturing on October 15, 2013.	$ 1,950,000	$ 2,250,000
Mortgage payable, bearing interest at the lender's floating base rate plus 2.75% (7.836% at January 31, 2008), with monthly interest and principal payments for the first six months of $15,250 and for the remaining six months of $16,550, maturing on July 15, 2010.	$ 547,900	$ 738,700
Mortgage payable, bearing interest at the lender's floating base rate plus 2.25% (7.336% at January 31, 2008), with monthly interest payments and six monthly principal payments of $66,600 from May to October, maturing on July 11, 2011.	$ 1,400,600	$ 1,800,200
	3,898,500	4,788,900
Current portion of Long-term debt	906,600	890,400
	$ 2,991,900	$ 3,898,500

The mortgages are secured by a general security agreement over all assets (subject to a secondary priority on accounts receivable and inventory in favour of the company's operating lender – see note 9), a collateral mortgage in the amount of $3,500,000 over real property, a first position assignment of trademarks and a first position security interest in processing plant and equipment.

The company is not in compliance with certain financial covenants required under the terms of the loan arrangement with Roynat Capital. Roynat has agreed not to demand repayment of the loan as a result of covenant violation. Furthermore, Roynat has also agreed to eliminate certain covenant requirements at the next compliance date of July 31, 2008. The company expects to be in compliance with the financial covenants for the year ended January 31, 2009 and as such the Company is classifying the debt as a Long-term liability at January 31, 2008.

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

2009	$ 906,600
2010	924,000
2011	816,100
2012	501,800
2013	300,000
2014	450,000
	$ 3,898,500

11. OBLIGATIONS UNDER CAPITAL LEASES:

The following is a schedule of the future minimum lease payments of the capital leases expiring on various dates, together with the balance of the obligations:

	2008	2007
2008	$ –	$ 250,175
2009	169,203	169,203
2010	155,238	155,238
2011	155,238	155,238
2012	138,373	138,373
	618,052	868,227
Less amount representing interest ranging from 3% to 9%	(60,916)	(106,972)
Present value of net minimum lease payments	557,136	761,255
Less current portion of capital lease payments	137,855	204,119
	$ 419,281	$ 557,136

To facilitate a financing transaction, the Company has entered into a sale leaseback transaction where it borrowed $750,000 secured by bottling line assets of $1,300,000. As the company will reacquire legal title at the end of the lease, this transaction has been accounted for as debt financing. No gain or loss was recorded on the sale leaseback as the economic substance of the transaction is secured financing.

12. SHARE CAPITAL:

(a) 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.

Common share transactions are summarized as follows:

	Number of shares 2008	Number of warrants 2008	Stated value 2008 $	Number of shares 2007	Number of warrants 2007	Stated value 2007 $
Issued, beginning of year	21,824,075	–	31,503,655	19,861,072	1,723,250	27,717,122
Shares issued from employee stock purchase plan	21,620	–	35,457	36,805	–	73,978
Shares issued up on exercise of stock option plan	–	–	–	69,000	–	31,500
Shares issued upon exercise of compensation options	–	–	–	138,000	–	242,880
Shares issued under exercise of warrants	–	–	–	1,720,498	(1,720,498)	3,440,996
Expiration of warrants	–	–	–	–	(2,752)	–
Shares acquired under normal course issuer bid	–	–	–	(1,300)	–	(2,821)
	21,845,695	–	31,539,112	21,824,075	–	31,503,655

(b) 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.

(i) A summary of the status of the Company's employee plans as at January 31, 2008 and 2007 is presented below:

	Options	Weighted average exercise price 2008	Options	Weighted average exercise price 2007
Outstanding, beginning of year	940,000	$ 1.55	759,000	$ 1.22
Granted	–	–	250,000	2.26
Exercised	–	–	(69,000)	0.46
Forfeited	(220,000)	2.18	–	–
Outstanding, end of year	720,000	$ 1.36	940,000	$ 1.55

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

Exercise price	Number outstanding as of January 31, 2008	Weighted average remaining contractual life	Number exercisable at January 31, 2008
$ 0.73	145,000	0.58	145,000
0.84	300,000	1.25	300,000
2.26	250,000	3.42	125,000
2.28	25,000	2.25	25,000
0.73 to 2.28	720,000	1.95	595,000

(c) 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, 2008. During 2008, 21,620 shares were issued under the plan.

(d) Compensation options:

In addition to the above options, on September 12, 2005, 50,000 options were granted to the two principle shareholders of Direct Cellars Beverage Co. at a price of $2.35 per share. The options vested after two years from date of grant. The fair value of each option granted was estimated using the Black-Scholes fair value option pricing model with the following assumptions: risk free interest rate of 4.0%, nil dividend yield, expected lives of 5 years and volatility of 59.4%. The fair value of these options when granted was $1.28.

13. SEGMENT INFORMATION:

Management has determined that the Company operates in a single industry segment which involves the production and sale of beer and other alcohol based products. Over 90% of the Company's operations, assets, sales revenue and employees are in Canada.

14. INCOME TAXES:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 35.9% (2007 – 36.1%) to earnings before income taxes. The reasons for the differences and related tax effects are as follows:

	2008	2007
Computed tax expense	$ (1,032,245)	$ 160,883
Manufacturing and processing deduction	57,507	(8,910)
Other non-deductible expenses	109,589	79,352
Adjustment to future taxes for enacted changes in tax rates	524,000	87,500
Other	56,440	–
Income tax expense (recovery)	$ (284,709)	$ 318,775

Tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2008 and 2007 are presented below:

	2008	2007
Future tax assets:		
Differences between tax and accounting values of property, plant and equipment	$ (1,523,463)	$ (719,659)
Differences between tax and accounting values of trademarks and listing fees	(438,979)	(397,795)
Differences between financing costs deducted for tax over accounting	12,602	77,832
Non capital loss carry-forwards	3,960,730	2,749,675
Other	106,519	75,037
Net future income tax asset	$ 2,117,409	$ 1,785,090

The Company has non capital loss carry-forwards of approximately $14,020,000 expiring as follows:

2010	$ 670,000
2026	3,230,000
2027	4,600,000
2028	5,520,000
	$ 14,020,000

15. COMMITMENTS:

The Company is committed under Long-term operating leases to rent equipment and premises at the following annual rates:

2009	$ 1,723,902
2010	1,663,429
2011	1,339,187
2012	1,035,637
2013	910,855
Thereafter	2,295,480
	$ 8,968,490

16. RELATED PARTY TRANSACTIONS:

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

(a) Direct Cellars Beverage Co. is a significantly influenced investee, provides sales services to the Company. The costs of these services, aggregating to $502,205 (2007 – $587,357) were incurred by the Company. These transactions are in the normal course of operations. At January 31, 2008 Direct Cellars Beverage Co. owed the Company $90,000 (2007 – $90,000) via a shareholder loan with no fixed repayment terms.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

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

The maximum credit risk, being the risk of default on accounts receivable is $2,571,046 (2007 – $2,589,921) which represents the current carrying value. The Beer Store and the Liquor Control Board of Ontario are the largest customers with accounts receivable totaling approximately $1,232,905 (2007 – $2,145,334).

The Company has interest bearing loans on which general interest rate fluctuations apply.

18. EARNINGS/(LOSS) PER SHARE:

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

	2008	2007
Net Earnings/(Loss)	$ (2,590,626)	$ 126,746
Average number of shares outstanding		
Basic	21,836,835	20,602,832
Effect of warrants and stock options	–	1,956,804
Diluted	21,836,835	22,559,636
Earnings/(Loss) per share:		
Basic	$ (0.12)	$ 0.01
Diluted	$ (0.12)	$ 0.01

19. COMPARATIVE FIGURES:

Certain 2007 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

DIRECTORS (from left)

Thomas W. Gilchrist	President, T.W. Gilchrist Vending Ltd., Toronto, Ontario
Edward H. Kernaghan	Executive Vice President, Kernwood Limited, Toronto, Ontario
Walter T. Hogg	Consultant, Hunstville, Ontario
James R. A. Brickman	Founder & Executive Chairman, Brick Brewing Co. Limited, Waterloo, Ontario
Ronald L. Fowler	Chairman & C.E.O., Liquid Investments Inc., San Diego, California
W. Scott Uffelman	President, Ontario Seed Company Limited, Waterloo, Ontario

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Executive Chairman and Founder

Mike Baumken
Vice President Operations

Graydon Moore
Chief Financial Officer/ Secretary

Craig Prentice
Vice President Sales

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CORE VALUES

At Brick Brewing, our core values define who we are and how we think and act, as individuals and as a business. They guide everything we do.

We will actively WORK TOGETHER in the PURSUIT OF EXCELLENCE. With an ENTREPRENEURIAL SPIRIT we strive at all times to act with INTEGRITY, RESPECT FOR OTHERS and provide a BALANCED LIFE/WORK environment.

APPENDIX: VALUES & THEIR DEFINING WORDS

WORKING TOGETHER: Team/Family Spirit, Teamwork, Open & Frequent Communication, Applauding Accomplishments & Tolerating Mistakes, Fostering Group Ideas, Empowerment

PURSUING EXCELLENCE: Passionate, Inspired, Driven, Best Quality, Continuous Improvement, Cost Responsible, Dedicated, Focused, Uncompromising, Committed

ENTREPRENEURIAL SPIRIT: Innovative, Driven, Creative, Passionate, Flexible, Pioneering, Resourceful, Action Oriented

INTEGRITY: Honesty, Sincerity, Fairness, Trustworthy, Loyalty, Reliability, Credible

RESPECT FOR OTHERS: Celebrating our Successes, Reward & Recognition of People, Empowerment, Cultivating Employee Potential, Professionalism, Responsible Use, Safe Workplace

LIFE/WORK BALANCE: Fulfilled, Right Priorities, Recognized, Positive Stress, Healthy & Happy Mind/Body/Spirit, Strong/Long-term Relationships, Financial & Personal Security, Community Involvement

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