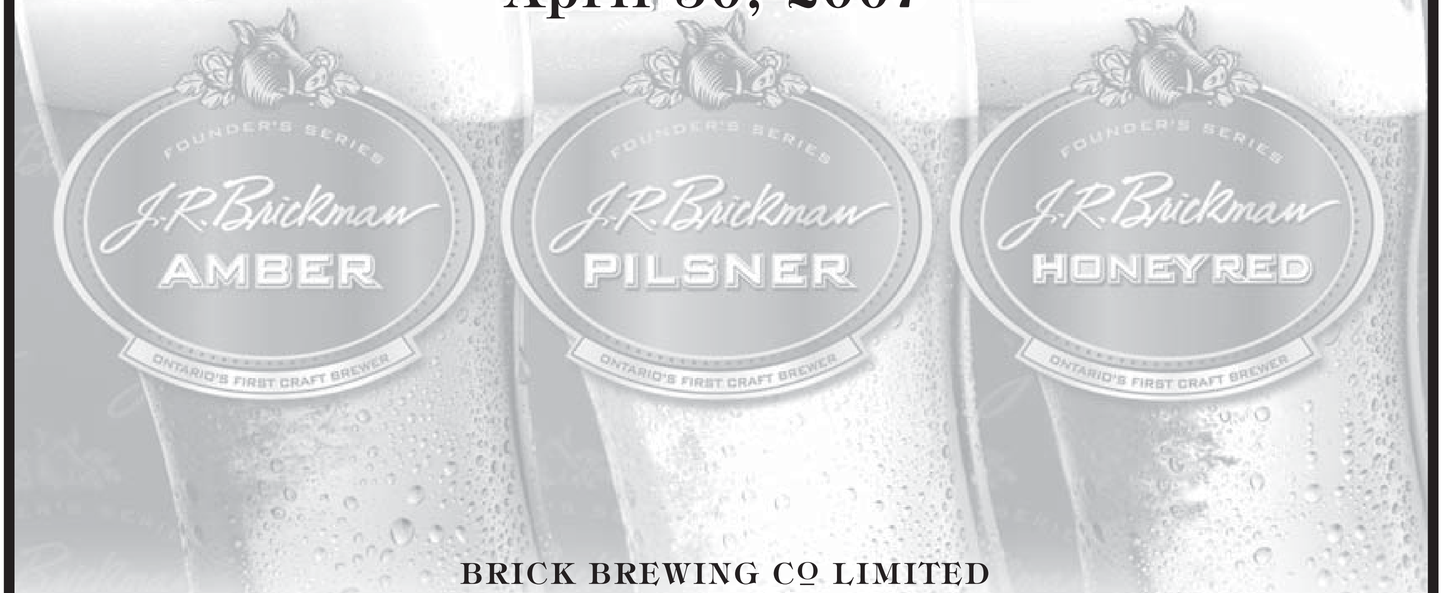
1ST QUARTER REPORT

Three Months Ending
April 30, 2007



BRICK BREWING CO LIMITED

Letter To The Shareholders

Dear Shareholder:

We expected Fiscal 2008 to be challenging. The results of the first quarter of fiscal 2008 for Brick Brewing Co. Limited produced a loss of approximately $900,000. This performance was the result of significant incremental production taxes, higher variable costs associated with input cost inflation and higher variable overheads when compared to last year.

Despite the challenges in the near term, our business plans for the year ahead are a continuation of the foundations laid in the previous two years. We are committed to the strategic plans we have built. We will address the realities of this environment with increased emphasis on completing and optimizing the manufacturing transition for beer production, pursuing complementary co-packing business and obtaining sales representation opportunities which allow us to leverage our demonstrated capabilities. Our existing and future investments in marketing, our manufacturing operation and our joint venture sales agency Direct Cellars will be the keys to realize on these opportunities

The overall goal of the business plan is to stabilize our financial performance in the near term and to build a base of complementary business activities. With the critical mass of a midsize brewer clearly established, we seek to move forward incrementally, sustainably and profitably from this solid base. We are working on a number of very exciting opportunities consistent with this plan. We hope to be able to demonstrate progress on these in the very near future.

During the quarter, the production transition to the new Kitchener packaging facility was completed. The inclusion of a number of new SKU's into the manufacturing environment produced some challenges both to equipment and personnel. These challenges were reflected in a less than satisfactory cost for production. With all production now transitioned, I am confident that we will now progressively improve productivity from the current base. The more recent trends are encouraging but our expectations for the Kitchener facility are progressively becoming more tempered and realistic.

The next key opportunity for optimizing the production environment for Brick is to add significant co-pack volume to the existing production infrastructure. We continue to engage in a dialogue with several parties and hope to make an announcement soon on additional new production partnerships.

One of the causes for the decrease in sales volume was difficulties encountered by Brick in implementing marketing initiatives at The Beer Store. We intend to continue to take all necessary steps to maintain the competitiveness of our products at TBS, and we have developed a number of marketing and selling strategies.

The sales and marketing plans for the new fiscal year are focused on capitalizing on opportunities within the value beer segment. We are striving to differentiate our brands from an increasingly crowded list of competitive value brands.

During the quarter we ran an aggressive print and radio campaign highlighting the differences between Laker and Lakeport. More recently, we have done some targeted price promotions on the brand. Both programs are intended to deliver new trial. At the end of the quarter we partnered with PC to launch a new entrant to the PC lineup-- PC Blanche. This exciting new wheat beer is targeted at the rapidly growing premium category—except that PC Blanche can be purchased for more than $12 per 24 less than most other competitive products. Finally, we were pleased to partner with Bob and Doug Mackenzie and their 24th anniversary of Strange Brew during the quarter. This cross promotion featured prominent placement of our Red Cap brand in their TV special. This relationship has reinforced to us the merit of our commitment to the celebration of the Canadian stubby. Catch the flint stubby and the collection of Strange Brew labels in boxes of Red Cap during the summer.

Your management team continues to work through a transition for your Company, a transition where we will strive to move from successful small brewer to competitive mid-size brewer. We believe that in order to remain competitive with the pervasive and fundamental structural changes underway in the Ontario beer market, we must grow but simultaneously aggressively focus on reducing costs. Speaking for all employees, we appreciate your support and patience as I believe the rewards will be worth it.

I'd like to close by again thanking our dedicated management team and hardworking employees for their ongoing efforts in sustaining the momentum we have created at Brick Brewing. It is their efforts that continue to position your Company well for profitable growth in fiscal 2008 and beyond

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Doug Berchtold
President and CEO
Brick Brewing Co. Limited
June 12, 2007

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis ("MD&A") provides a review of the activities, results of operations and financial condition of Brick Brewing Co. Limited (the "Company") for the three months ended April 30, 2007 ("the first quarter of fiscal 2008") in comparison with the three months ended April 30, 2006 ("the first quarter of fiscal 2007"). These comments should be read in conjunction with the financial statements for the first quarters of fiscal 2008 and 2007; with the MD&A in the fiscal 2007 annual report for the year ended January 31, 2007, including the section on risks and uncertainties; and with the accompanying notes to the financial statements for the first quarter of fiscal 2008 and the year ended January 31, 2007. The financial statements for the first quarter of fiscal 2008 have not been audited or reviewed by the external auditors of the Company, KPMG LLP. The following comments were prepared as of June 12, 2007. Additional information relating to the Company, including its annual information form, is available at www.sedar.com or in the investor relations section of the Company's website at www.brickbeer.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions and include the statements concerning expected volumes, EBIDTA* and costs. Undue reliance should not be placed on these forward-looking statements which are not guarantees, reflect the Company's views as of June 12, 2007 with respect to future events and are subject to various risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The statements regarding expected volumes, EBIDTA* and costs are based on, among others, the following material factors and assumptions: revenues in the current fiscal year ending January 31, 2008 ("fiscal 2008") will increase, no significant changes in consumer preferences, operating efficiencies at the new packaging and warehousing facility in Kitchener, Ontario will continue to be realized, competitive activity from other brewers will continue, no significant change to the regulatory environment in which the Company operates and no significant supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

**1EBITDA is a non-GAAP earnings measure, therefore it does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.*

DESCRIPTION OF THE BUSINESS

The Company produces, sells, markets and distributes bottled and draft premium beer under the JR 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 and High Falls of Rochester, New York.

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

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

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

RESULTS OF OPERATIONS

Results for the three months ended April 30, 2007

in thousands except per share amounts	Three months ended	
	2007	2006
Gross Revenue	$ 15,635	$ 16,095
Less: Production taxes and distribution fees	(8,763)	(8,440)
Net revenue	6,872	7,654
Cost of goods sold	5,951	5,418
Gross margin	921	2,236
	13.4%	29.2%
Selling marketing and administrative expenses	1,693	1,606
Earnings before the undernoted	(771)	630
Depreciation and amortization	(450)	(352)
Interest and other income/(expense)	(123)	(87)
Earnings before provision for income taxes	(1,344)	190
Provision for future income taxes	(446)	65
Net earnings	$ (898)	$ 126
Net earnings per share:		
Basic	$ (0.04)	$ 0.01
Diluted	(0.04)	0.01
Net Revenue Growth	*-10.2%*	*10.3%*
Volume Growth	*-5.7%*	*22.7%*

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

(in thousands)

	Three months ended	
	April 30, 2007	April 30, 2006
Net Earnings/(Loss)	**$ (898)**	$ 126
Add:		
Future income tax expense (recovery)	**(446)**	65
Amortization	**450**	352
Interest on long-term debt	**101**	71
Equity loss and long-term investment	**32**	26
Subtotal	**137**	514
Less:		
Other interest income	**(10)**	(9)
Subtotal	**(10)**	(9)
EBITDA *	**$ (771)**	$ 630

NET REVENUE

Gross revenues for the first quarter of fiscal 2008 were $15.6 million as compared to $16.1 million in the first quarter of fiscal 2007, a decrease of 2.9%. Net revenues for the first quarter of fiscal 2008 were $6.9 million as compared to $7.7 million in the first quarter of fiscal 2007, a decrease of 10.3%. Net revenues are calculated by deducting from gross sales revenues the costs of distribution fees paid to TBS and the LCBO and production taxes.

In the first quarter the Company's marginal production tax rate increased by 6% or $326 thousand in aggregate additional taxes compared to the same quarter last year. These increased per unit production taxes are due to the Company no longer benefiting from the Ontario small brewer tax reduction in fiscal 2008. The Ontario small brewer tax reduction reduced provincial taxes payable by the Company by a total of $2.6 million in fiscal 2007.

In the first quarter the Company's per unit distribution fees increased by 8% or $235 thousand in the aggregate compared to the same quarter last year. These increased distribution fees are a result of increased demand for the Company's products in the LCBO channel in the first quarter this year compared to the same period last year and the fact that unit distribution costs in the LCBO channel are higher.

In the quarter, the Company's overall beer volumes decreased by 6% over the same period last year. The Company believes that the decrease in the Company's volumes is, in part, attributable to recent changes in the retail and marketing policies implemented at TBS.

While volumes for the Company's products decreased by 6% at TBS in the first quarter compared to the same period last year, volumes for the Company's products at the LCBO increased by 43% in the first quarter compared to the same period last year. The Company's volumes of its mainstream and licensed brands decreased by 8% during the first quarter, due largely to the lack of any promotional activity in the first quarter this year compared to the same period last year. The Company's Laker brand volumes decreased by 5% in the first quarter this year compared to last year. Volumes of Laker cans accounted for approximately 21% of Laker volumes in the first quarter this year compared to 11% of Laker volumes for the same period last year. During the first quarter the Company's premium brand volumes declined 5%, due to limited promotional support and the recently introduced TBS retailing policies. In the future the Company will seek to take further steps to maintain the competitiveness of its products at retail. At April 30, 2007 the Company's total market share by volume of TBS retail sales in Ontario was approximately 5%.

The Company expects net revenues to increase through the remainder of fiscal 2008, compared to the comparable periods last year; however, the rate of growth will continue to moderate from fiscal 2007.

COST OF GOODS SOLD

Cost of goods sold was $6.0 million for the first quarter ended April 30, 2007, up from $5.4 million in the first quarter last year. The per unit cost of producing and distributing beer increased by 16% or $841 thousand in the aggregate in the quarter compared to the same quarter last year.

The Company had increased per unit variable manufacturing costs of $334 thousand in the aggregate in the first quarter this year compared to the same period last year. These cost increases were due to higher input costs and higher direct labor costs.

Cost of goods sold in the first quarter reflects higher material and other input costs of $198 thousand compared to last year. These higher costs were primarily for aluminum cans and brewing and packaging materials. The Company is taking efficiency measures to offset these increased costs by consolidating packaging activities into the Kitchener facility, increasing the selling price on certain products and re-sourcing certain inputs.

During the quarter the Company packaged all beer in the Kitchener facility. This transition of remaining SKUs from Formosa added complexity to the Kitchener manufacturing environment and less than satisfactory costs for production. The Company anticipates, with all production now transitioned, a reduction in these costs as operational efficiencies improve.

The Company had increased plant overheads of $256 thousand in the first quarter compared to the same period last year. The increased overheads are due to the operation of the Kitchener packaging facility, which was not operating in the first quarter last year. It is anticipated that these plant overheads will be reduced, as compared with fiscal 2007 as the packaging transition to Kitchener has now been completed.

The Company capitalized pre-production costs of $403 thousand in the first quarter of last year related to costs incurred prior to the operation of the new Kitchener packaging line. There were no similar charges in the first quarter this year.

The Company's warehousing costs increased by $53 thousand in the first quarter compared to the same period last year. The increased costs reflect additional costs for expanded direct delivery and customer service functions in Ontario and Quebec. Manufacturing costs at the new Kitchener packaging facility are expected to continue to be higher than optimal during the remainder of fiscal 2008. These costs are expected to be progressively reduced as the facility continues to gain improved efficiencies during the year. When this facility reaches targeted productivity levels, it is anticipated that it will contribute to a further reduction in the Company's variable manufacturing costs.

SELLING, MARKETING AND ADMINISTRATION

Selling, marketing and administration expenses for the first quarter increased $86 thousand to $1.7 million from $1.6 million in the same period last year. The company ran an advertising program in the first quarter highlighting the differences between its Laker brand and a competing brand. As a percentage of net sales, selling, marketing and administration expenses were 24.6% for the first quarter this year compared to 21.0% for the first quarter last year.

Subsequent to the first quarter the Company implemented a series of targeted cost reductions to seek to reduce selling, marketing and administration expenses for the balance of fiscal 2008. The program will seek to reduce these expenses by approximately $1.5 million over the balance of the fiscal year.

DEPRECIATION AND AMORTIZATION

For the first quarter ended April 30, 2007, total depreciation and amortization expense was $450 thousand compared to $352 thousand in the same period last year. This increase is due to increased investment in equipment at the Kitchener packaging facility.

OTHER INCOME AND EXPENSES

In the first quarter, interest on long term debt was $101 thousand, compared to $71 thousand in the same period last year. 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 the first quarter last year.

In the first quarter of fiscal 2008, the Company recorded a $32 thousand equity loss from the investment in Direct Cellars Beverage Co. ("Direct Cellars") compared to loss of $26 thousand in the same period last year.

During the first quarter the Company recorded $10 thousand in other income from investments, compared to $9 thousand in the same period last year.

During the first quarter the Company recorded a future income tax recovery of $446 thousand compared to an expense of $65 thousand in the same period last year.

NET EARNINGS

For the first quarter ended April 30, 2007, net loss was $898 thousand compared to net earnings of $126 thousand for the same period last year. Recovery of future income taxes was $446 thousand in the first quarter this year compared to a future income expense of $65 thousand in the same period last year. The basic and diluted loss per share for the first quarter ended April 30, 2007 was $0.04 and $0.04 per share respectively, compared with basic and diluted earnings per share of $0.01 and $0.01 for the same period last year.

As at April 30, 2007, the Company had 21,837,995 common shares outstanding and 990,000 stock options outstanding and exercisable for the same number of common shares.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

At April 30, 2007, the Company had cash of $389 thousand. This represents an increase of $335 thousand from $54 thousand at January 31, 2007.

The Company's working capital position was $5.3 million at April 30, 2007 compared to $6.6 million at January 31, 2007.

Current assets were $12.0 million at April 30, 2007 compared to $11.6 million at January 31, 2007, an increase of $400 thousand during the first quarter. In the first quarter cash increased by $335 thousand. Accounts receivable decreased by $23 thousand due primarily to a reduction in the amount outstanding from TBS compared to January 31, 2007. The Company's inventories have decreased by $260 thousand in the first quarter of fiscal 2008. Finished goods have decreased by $180 thousand and raw materials have decreased by $80 thousand in the quarter. Prepaid expenses increased by $325 thousand in the quarter primarily due to increased prepaid insurance and distribution fees.

Property, plant and equipment decreased by $2 thousand at April 30, 2007 compared to January 31, 2007. The decrease is due to depreciation in excess of capital expenditures. Capital expenditures for the remainder of fiscal 2008 are anticipated to be approxi

LIQUIDITY AND CAPITAL RESOURCES

mately $1.2 million.

Deferred costs decreased by $178 thousand at April 30, 2007 compared to January 31, 2007. The decrease is due primarily to a change in accounting policy in the first quarter this year which resulted in a write-down of deferred finance charges of $151 thousand in the quarter.

Future income taxes have increased by $482 thousand at April 30, 2007 compared to January 31, 2007. The increase is a result of the Company recording a recovery for future income tax in the quarter.

The current liabilities were $6.7 million at April 30, 2007 compared to $5.0 million at January 31, 2007. This increase is due primarily to increased amounts outstanding for production taxes and trade payables due to increased seasonal demand.

Long-term debt and obligations under capital leases have decreased by $83 thousand at April 30, 2007 compared to January 31, 2007. This decrease is due to repayment of capital lease obligations during the period.

CASH FLOW

The Company generated $834 thousand in cash from operating activities in the first quarter ending April 30, 2007, compared to generating $550 thousand in the same period last year. The primary causes for this differential of $284 thousand are reduced generation of cash from earnings of $1.4 million for the period ending April 30, 2007 compared to the previous year's first quarter, and an increase in non-cash working capital of $1.6 million in this year's first quarter, due primarily to an increase in taxes payable at April 30, 2007 compared to January 31, 2007.

Financing activities used $81 thousand in cash during the first quarter this year, compared to generating $3.1 million in the same quarter last year, a difference of $3.2 million. The net difference is a result of the Company obtaining an additional $2.7 million in net capital lease and long-term debt financing in the first quarter last year. The Company also received in the first quarter last year an additional $0.4 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 $419 thousand in the first quarter compared to $2.1 million in the same period last year, a reduction of $1.8 million, primarily due to a $1.4 million reduction in capital expenditures in the first quarter this year compared to the same period last year and a $0.4 million expenditure in pre-operating costs in the first quarter last year that was not incurred in the first quarter this year. Capital expenditures in the first quarter this year were $419 thousand. These expenditures were primarily in the Kitchener facility to assist with the storage of beer prior to packaging and to provide for the production of additional packaging configurations. Total capital expenditures for the current fiscal year are expected to be approximately $1.6 million. These capital expenditures are expected to be funded through a combination of cash from operating activities and selected operating leases.

The Company had cash of $388 thousand at April 30, 2007 compared to$1.9 million a year ago.

The Company has an authorized operating line of credit of $4.5 million at prime plus 0.25%. At April 30, 2007 the facility was not being utilized. The Company's operating line is sufficient to fund current operating activities and cash requirements throughout the year. The Company is currently in compliance with the terms of all of its lending agreements.

The Company has approximately $8.6 million in loss carry-forwards and temporary timing differences available to reduce income tax expense in future years, as compared to $6.0 million at the end of the same period last year. Of this amount approximately $860 thousand will expire in 2010, $3.3 million will expire in 2016 and $4.6 million will expire in 2017.

NEW ACCOUNTING STANDARDS

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

NEW ACCOUNTING STANDARDS

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:

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 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 had no significant impact on the financial statements for the period ended April 30, 2007. An adjustment of $103,176 was required to the opening deficit to adjust for deferred finance charges at February 1, 2007. There were no other adjustments to comprehensive income, or net income.

RISK FACTORS, STRATEGIES AND OUTLOOK

In the last two quarters, the Company's overall beer volumes have been reduced due, in part, to recent changes in the retail and marketing policies implemented at TBS. The Company is currently implementing a number of marketing and selling strategies to maintain the competitiveness of its products at TBS.

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

The Company has recently upgraded its manufacturing and distribution capabilities. The Company's manufacturing strategy contains a series of actions to seek to reduce costs and increase capacity over the course of the current fiscal year and beyond. The plan will continue to seek an improvement in EBITDA* via variable operating cost reductions at current volumes over the current fiscal year and into the future.

RISK FACTORS, STRATEGIES AND OUTLOOK

The new Kitchener packaging facility is expected to continue to gain improved efficiencies during fiscal 2008. The Company is actively seeking additional co-packing opportunities to supplement the future utilization of the Formosa packaging facility.

During fiscal 2007 the Company launched the J.R. Brickman Founder's Series premium brands in an effort to grow the Company's premium brand portfolio. Management believes there are opportunities to continue to pursue targeted investments in the Company's current premium brands and various opportunities to represent selected complementary imported brands. The Company is seeking to increase the size of its premium brand portfolio over the next three years.

Direct Cellars Beverage Co. represents a variety of alcoholic beverages brands to the LCBO and licensed establishments. The Company has a 50% ownership in this sales agency. The Company is seeking to attract a variety of other brands bringing critical mass to the selling efforts for this agency into both the LCBO and licensee channels and strengthening its current position in the market while increasing opportunities for market share expansion.

The Company continues to experience growth in its Laker can volumes. The Company launched a variety of additional Laker can formats as the Company continues to compete in this category. Laker cans are produced by High Falls under license.

On May 14, 2007 the Company announced that it was reviewing strategic alternatives to enhance shareholder value. The strategic review process continues, and the Company will make a public announcement at the appropriate time.

SUMMARY OF QUARTERLY RESULTS

$(000's)	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net Revenue	6,872	7,550	8,692	11,431	7,654	6,365	8,643	8,232
Selling, general & administration	1,693	2,041	1,731	2,558	1,606	1,597	1,678	1,883
EBITDA*	(771)	(557)	552	1,912	630	(152)	1.375	1,659
Net Income\(Loss)	(898)	(1,000)	40	962	126	1,664	1.033	1,350
EPS (Basic)	(.04)	(.05)	.00	.05	.01	.09	.05	.07
EPS (Diluted)	(.04)	(.04)	.00	.05	.01	.09	.04	.06

RELATED PARTY TRANSACTIONS

On February 1, 2005 the Company acquired a 50% interest in Direct Cellars Beverage Co. ("Direct Cellars"). Direct Cellars provides sales agency services to the Company. The cost of services was $132 thousand and $120 thousand in the first quarters of fiscal 2008 and 2007, respectively. At April 30, 2007, Direct Cellars owed the Company $90 thousand (April 30, 2006-$90 thousand). This amount is included in accounts receivable. During the first quarter of fiscal 2008 the Company recorded a loss of $32 thousand from this affiliate compared to a loss of $26 thousand for the same period last year.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. The Company also maintains internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended April 30, 2007, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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

Statement Of Earnings And Deficit
(Unaudited)

	Three Months Ended	
	April 30, 2007	April 30, 2006
Gross Revenue	**$ 15,635,238**	$ 16,094,575
Less: Production taxes & distribution fees	**(8,763,376)**	(8,440,211)
Net Revenue	**6,971,862**	7,654,364
Cost of goods sold	**5,950,570**	5,418,145
Gross margin	**921,292**	2,236,219
Expenses:		
Selling, marketing and administration	**1,692,643**	1,606,372
Earnings / (loss) before the undernoted	**(771,351)**	629,847
Other income /(expenses):		
Amortization	**(450,151)**	(352,370)
Interest on long-term debt	**(100,867)**	(70,832)
Other interest income	**10,137**	9,285
Equity earnings /(loss) of long term investment	**32,075)(**	(25,721)
	(572,956)	(439,638)
Earnings /(loss) before provision for income taxes	**(1,344,307)**	190,209
Future income tax expense/(recovery)	**(446,316)**	64,600
Net earnings / (loss)	**(897,991)**	125,609
Deficit, beginning of the period	**(4,158,438)**	(5,948,965)
Cumulative effect of adopting new accounting policies, net of tax (note 2)	**$(103,176)**	-
Deficit, end of period	**$ (5,159,605)**	$ (5,823,356)
Net earnings /(loss) per share:		
Basic	**$ (0.04)**	$ 0.01
Diluted	**(0.04)**	0.01

BALANCE SHEETS

(Unaudited)

	April 30, 2007	January 31,2007
Assets		
Current assets:		
Cash	$ 388,379	$ 53,852
Accounts receivable	2,566,969	2,590,199
Inventories	8,121,495	8,381,787
Future income taxes	91,848	80,046
Prepaid expenses	812,677	487,294
Total current assets	11,981,368	11,593,178
Property, plant and equipment	17,685,634	17,687,452
Long term investment	47,115	79,190
Trademarks and listing fees	5,407,021	5,407,021
Deferred costs	459,711	637,603
Other assets	235,000	242,500
Future income taxes	2,187,168	1,705,044
	$ 38,003,017	$ 37,351,988
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	$ 5,621,773	$ 3,911,922
Current portion of long-term debt	890,400	890,400
Current portion of obligations under capital lease	206,360	204,119
Total current liabilities	6,718,533	5,006,441
Long-term debt	3,898,500	3,898,500
Obligations under capital lease	473,990	557,136
Shareholders' equity:		
Share capital	31,503,655	31,503,655
Contributed surplus	567,944	544,694
Deficit	(5,159,605)	(4,158,438)
Total shareholders' equity	26,911,994	27,889,911
	$ 38,003,017	$ 37,351,988

STATEMENTS OF CASH FLOW

(Unaudited)

	Three Months Ended			
	April 30, 2007		April 30, 2006	
Cash provided by (used in):				
Operations:				
Earnings / (loss) for the period	$	**(897,991)**	$	125,609
Items not involving cash:				
Amortization of property, plant and equipment, deferred & other assets		**450,151**		352,370
Stock based compensation		**23,250**		-
Equity (earnings)/loss of long term investment		**32,075**		25,721
Future income tax expense/(recovery)		**(482,124)**		64,400
Change in non-cash operating working capital		**1,708,970**		(18,082)
		834,331		550,018
Financing:				
Repayment of obligation under long term debt		**-**		(42,450)
Repayment of obligation under capital lease		**(80,905)**		(25,689)
Issuance of long-term debt		**-**		2,750,000
Issue of capital stock, net of costs		**-**		370,804
		(80,905)		3,052,665
Investments:				
Acquisition of property, plant and equipment and listing fees		**(418,899)**		(1,794,150)
Pre-operating costs		**-**		(402,538)
Other assets		**-**		-
Long term investments		**-**		-
		(418,899)		(2,196,688)
Net increase in cash		**334,527**		1,405,995
Cash, beginning of period		**53,852**		506,874
Cash, end of period	$	**388,379**	$	1,912,869

For the first quarters ended April 30, 2007 and 2006

These unaudited interim financial statements for the first quarter ending April 30, 2007 have not been reviewed by the Company's external auditor.

1. Description of business

The Company operates two breweries serving primarily the Ontario market. The Company's primary business is the brewing and marketing of bottled beer as well as draught beer in kegs. The Company's products are marketed through the facilities of The Beer Store system, the Liquor Control Board of Ontario, and to licensed establishments.

The Company experiences seasonal variations in sales and earnings; with sales and earnings typically being highest in the second and third quarters and lowest in the first and fourth quarters of the fiscal year.

2. Changes in accounting policies

The disclosures contained in the unaudited interim financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim financial statements should be read in conjunction with the annual financial statements for the year ended January 31, 2007.

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.

- Restricted investments are classified as held to maturity and continue to be recorded at the amortized cost.

- Accounts receivable are classified as loans and receivables and are normally recorded at their original cost, which represents their fair value.

- Accounts payable and accrued liabilities and the term loan, including interest payable are classified as other liabilities, all of which are measured at amortized cost.

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

The adoption of Handbook Sections 3251, 3861 and 3855 had no significant impact on the financial statements for the period ended April 30, 2007. An adjustment of $103,176 was required to the opening deficit to adjust for deferred finance charges at February 1, 2007. There were no other adjustments to comprehensive income, or net income.

3. Outstanding shares

As at April 30, 2007, the Company had outstanding 21,837,995 common shares and 990,000 options to acquire common shares under the Company's stock option plan with various expiry dates.

4. Segment information

Management has determined that the Company operates in a single industry segment which involves the production and sale of beer and other alcohol based products. A significant portion of the Company's operations, assets, sales and employees are in Ontario.

5. Related party transactions

Direct Cellars Beverage Co.("Direct Cellars"), a significantly influenced investee, provides sales services to the Company. The cost of these services was $132,275 and $119,920 in the first quarter of fiscal 2008 and first quarter of fiscal 2007 respectively. These services were charged to selling, marketing and administration expenses. These transactions are in the normal course of operations. At April 30, 2007 Direct Cellars owed the Company $90,000 (April 30, 2006 – $90,000) via a shareholder loan with no fixed repayment terms. This amount is included in accounts receivable.

6. Comparative figures

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

CORPORATE INFORMATION

BRICK
J.R. Brickman Pilsner
J.R. Brickman Amber
J.R. Brickman Honey Red
Waterloo Dark
Waterloo Wheat
Red Baron
Formosa Springs Draft
Formosa Springs Light
Conners Best Bitter
Red Cap Ale
Bambay

LAKER
Laker Premium
Laker Light
Laker Strong
Laker Red
Laker Ice
Laker Honey

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