MANAGEMENT'S DISCUSSION & ANALYSIS

SECOND QUARTER FISCAL 2019

Quarter Ended July 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") provides a review of the activities, results of operations and financial condition of Brick Brewing Co. Limited ("Brick" or the "Company") for the quarterly period ended July 29, 2018 ("the second quarter of fiscal 2019") in comparison with the quarterly period ended July 30, 2017 ("the second quarter of fiscal 2018"). This MD&A should be read in conjunction with: (i) the Company's unaudited condensed interim financial statements for the second quarters of fiscal 2019 and 2018 and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"); and (ii) the annual report of the Company for the year ended January 31, 2018, including the sections on risks and uncertainties within the MD&A for fiscal 2018. The interim financial statements for the second quarter of fiscal 2019 have not been audited or reviewed by the Company's auditors, KPMG LLP. This MD&A has been prepared as of September 5, 2018. 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, statements concerning expected volumes, earnings before interest, taxes, depreciation and amortization, loss on disposal of property, plant and equipment, and share based payments ("EBITDA*"), operating efficiencies, and costs. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect the Company's views as of September 5, 2018 with respect to future events. Future events are subject to certain risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including statements regarding expected volumes, EBITDA*, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: sales volumes in the fiscal year ending January 31, 2019 ("fiscal 2019") will increase; no material changes in consumer preferences; brewing, blending, and packaging efficiencies will improve; the cost of input materials for brewing, blending, and packaging will increase; competitive activity from other manufacturers will continue; no material change to the regulatory environment in which the Company operates and no material supply, cost or quality control issues with the Company's vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements in this MD&A. 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, readers should also refer to the remainder of the discussion in this MD&A, the Company's annual information form and various other public filings as and when released by the Company. The forward-looking statements included in this MD&A are made only as of September 5, 2018 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

Products

The Company produces, sells, markets and distributes packaged and draft premium beer under the Waterloo brand name, and value beer under the Laker and Red Cap brand names (collectively, the "Brick Beer Brands"). The Company also produces, sells, markets and distributes Seagram coolers and ciders across Canada. Pursuant to an exclusive long-term licensing agreement, the Company produces, sells, markets and distributes products under the LandShark®, Margaritaville® and Chudleigh's trademarks in Canada.

Pursuant to a co-packaging agreement with Loblaws Inc. ("Loblaws"), the Company produces, sells, markets and distributes various beer products on behalf of Loblaws under the licensed President's Choice® ("PC®") trademark. The Company produces various products under a contract with Canada Dry Mott's, Inc. ("CDMI") and also acts as the exclusive sales agent in Ontario for CDMI. The Company also has brewing and co-packaging agreements with other manufacturers. These customers are not separately identified, as per the terms of those agreements.

Geographic Distribution

The Company's products are sold primarily in Ontario. The Company's Waterloo packaged beer is also sold in Atlantic Canada, Western Canada, and the USA. Seagram, LandShark® and Margaritaville® products are sold in Canada.

Distribution Channels

In Ontario, distribution of packaged beer occurs through The Beer Store ("TBS"), Liquor Control Board of Ontario ("LCBO"), and licensed grocery stores. Consumers can purchase the Company's products through these channels as well as through licensed establishments (bars and restaurants) in Ontario. Seagram Coolers are sold through the provincial liquor boards. There are currently over 370 licensed grocery stores in Ontario, with additional store licenses expected to be granted during the balance of 2018 for a total of 450 stores. The Company currently distributes Laker, LandShark®, and Waterloo beers, as well as Seagram cider, in certain grocery stores in Ontario.

Operating Facilities

The Company's production facility and registered head office is located in Kitchener, Ontario.

TBS Consignment

During the first quarter of fiscal 2019, the Company's largest customer, The Beer Store ("TBS"), moved from a buy-sell relationship to one of consignment. This change impacted all brewers supplying product to TBS. On implementation, inventory increased by $3.5 million to reflect inventory on hand at TBS. Further, there was a one-time reversal of gross profit. Net revenue decreased by $3.6 million, cost of sales decreased by $1.4 million, gross profit and EBITDA decreased by $2.2 million, and net income decreased by $1.6 million.

At the time of change to consignment, the Company was required to buy back inventory on hand at TBS, payable over a 26-week period. As at July 29, 2018, the Company has an amount payable to TBS of $3.2 million, included in accounts payable and accrued liabilities. This amount will be paid in weekly installments until October 2018.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain unaudited quarterly financial information of the Company for each of the quarters indicated prepared in accordance with IFRS:

(in thousands of dollars, except per share amounts)	**Quarter Ended**		
	July 29, 2018	July 30, 2017	July 31, 2016
Statement of Comprehensive Income Data			
Gross Revenue	**$ 31,535**	$ 30,060	$ 26,685
Net Revenue (after production taxes and distribution fees)	**$ 16,564**	$ 15,904	$ 14,011
Earnings before interest, taxes, depreciation and amortization, and share-based payments	**$ 3,313**	$ 2,626	$ 3,091
Net income	**$ 1,430**	$ 1,120	$ 1,635
Earnings per share			
Basic	**$ 0.04**	$ 0.03	$ 0.05
Diluted	**$ 0.04**	$ 0.03	$ 0.05
Statement of Financial Position Data			
Total Assets	**$ 63,129**	$ 61,874	$ 54,372
Total Term Debt and Obligation Under Finance Lease	**$ 12,661**	$ 12,161	$ 8,491

RESULTS OF OPERATIONS

(in thousands of dollars except per share amounts)	Quarter ended		Fiscal year-to-date ended	
	July 29, 2018	July 30, 2017	**July 29, 2018**	July 30, 2017
Gross revenue[1]	**$ 31,535**	$ 30,060	**$ 46,293**	$ 52,261
Less: Production taxes and distribution fees[1]	**14,971**	14,156	**22,717**	24,877
Net revenue	**16,564**	15,904	**23,576**	27,384
Cost of sales[1]	**11,443**	11,342	**18,354**	19,337
Gross profit[1]	**5,121**	4,562	**5,222**	8,047
	30.9%	28.7%	**22.1%**	29.4%
Selling, marketing and administration	**2,810**	2,691	**4,928**	4,809
Income before the undernoted	**2,311**	1,871	**294**	3,238
Other expenses	**186**	221	**680**	395
Finance costs	**120**	135	**197**	235
Income (loss) before tax	**2,005**	1,515	**(583)**	2,608
Income tax (recovery) expense	**575**	395	**(162)**	701
Net income (loss)[1]	**1,430**	1,120	**(421)**	1,907
Earnings (loss) per share				
Basic	**$ 0.04**	$ 0.03	**$ (0.01)**	$ 0.05
Diluted	**$ 0.04**	$ 0.03	**$ (0.01)**	$ 0.05
Net revenue increase (decrease)[2]	**4.1%**	13.5%	**(13.9%)**	16.4%
Consisting of:				
Increase (decrease) in owner brand net revenue[2]	**2.4%**	10.8%	**(22.5%)**	12.3%
Increase in co-pack net revenue	**18.8%**	24.0%	**14.7%**	32.2%

1. As a result of a one-time adjustment during the quarter ended April 29, 2018 associated with TBS’ change to a consignment basis, gross revenue decreased by $5,650 thousand, production taxes decreased by $2,063 thousand, net revenue decreased by $3,587 thousand, cost of sales decreased by $1,396 thousand, gross profit decreased by $2,190 thousand, and net income decreased by $1,566 thousand.

2. Excluding the impact of TBS’ change to consignment noted above, fiscal 2019 year-to-date net revenue decrease is 0.8% and owner brand net revenue decreased by 5.4%.

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

	Quarter ended		Fiscal year-to-date ended	
(in thousands of dollars)	**July 29, 2018**	July 30, 2017	**July 29, 2018**	July 30, 2017
Net income (loss)[1]	**$ 1,430**	$ 1,120	**$ (421)**	$ 1,907
Add (deduct):				
Income tax expense (recovery)	**575**	395	**(162)**	701
Depreciation and amortization	**1,068**	906	**2,078**	1,723
Loss on disposal of property, plant and equipment	**-**	-	**251**	-
Share-based payments	**120**	70	**202**	113
Finance costs	**120**	135	**197**	235
Subtotal	**1,883**	1,506	**2,566**	2,772
EBITDA*	**3,313**	2,626	**2,145**	4,679

* EBITDA is a non-IFRS earnings measure, therefore it does not have any standardized meaning prescribed by International Financial Reporting Standards and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization, gain on disposal of property, plant, and equipment, and share-based payments. 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.

1. As a result of a one-time adjustment during the quarter ended April 29, 2018 associated with TBS' change to a consignment basis, net income decreased by $1,566 thousand and EBITDA decreased by $2,190 thousand.

NET REVENUE

Gross revenues were $31.5 million and $46.3 million for the second quarter and fiscal year-to-date periods ended July 29, 2018 compared to $30.1 million and $52.3 million in the same periods ended July 30, 2017. Net revenues for the second quarter and fiscal year-to-date periods ended July 29, 2018 were $16.6 million and $23.6 million, respectively, compared to $15.9 million and $27.4 million in the same periods ended July 30, 2017. Net revenues are calculated by deducting from gross revenues the costs of distribution fees paid to TBS and provincial liquor boards and production taxes.

Gross and net revenue in the first quarter of fiscal 2019 were impacted by a one-time adjustment of $5.7 million and $3.6 million, respectively, associated with TBS' change to a consignment basis, as well as a decrease in branded sales volumes, offset by growth in co-pack revenue.

In the second quarter of fiscal 2019, the Company's overall sales volume was approximately 70,200 hectolitres.

The prior year volumes in the following table were restated to reflect TBS' change to a consignment basis, and therefore represents sales to end-consumers of TBS stores in addition to direct shipments by the Company to other customers. Figures reported under "Branded Volumes" have been adjusted accordingly.

BRANDED VOLUMES

(in hectolitres rounded to nearest 100)	Quarter ended		Fiscal year-to-date ended	
	July 29, 2018	July 30, 2017 (Restated) [1, 2]	July 29, 2018	July 30, 2017 (Restated) [1, 2]
Laker	48,700	47,800	89,100	89,600
Waterloo	8,100	7,800	11,800	11,300
LandShark® & Margaritaville®	10,000	9,100	13,300	13,000
Other Brands	500	1,400	800	2,500
Seagram Coolers	2,900	4,500	5,000	7,600
Total Branded Volume	70,200	70,600	120,000	124,000

[1] Formosa Springs and Red Baron, reported within other beer brands, were sold until September 2017.

[2] Includes volume sold under the licensed Seagram Trademark by Blue Spike Beverages in Quebec.

Branded sales volumes decreased in the second quarter of fiscal 2019 by 0.5% over fiscal 2018's second quarter sales volumes. Volume growth of the Waterloo and Laker brands, along with the continued success of LandShark® and Margaritaville® products were offset by the absence of volume from the Formosa and Red Baron brands which were sold in fiscal 2018. Further, in December 2017, the Régie des Alcools des Courses et des Jeux due Québec ("RACJ") halted Blue Spike Beverages' production resulting from products not being in accordance with the regulations in force in Quebec. Production of Seagram Coolers in Quebec has not resumed, and therefore has had a negative impact on branded volumes. The contract with Blue Spike Beverages was terminated in the second quarter of fiscal 2019. The Company is currently seeking other opportunities to produce Seagram Coolers in the Quebec market.

During the quarter ended July 29, 2018, the Laker family brand sales volumes increased by 1.9% over the quarter ended July 30, 2017, despite price pressure from competitive mainstream brands. The industry beer volumes increased by approximately 0.6% (based on counter sales through TBS) in the second quarter of fiscal 2019.

Waterloo brand sales volumes increased by 4.7% in the quarter ended July 29, 2018 compared to the same quarter ended July 30, 2017. The Company continues to support the Waterloo brands through additional marketing to raise awareness of the Company's craft brewing division, Waterloo Brewing. During the first quarter of fiscal 2018, the Company unveiled a new look, identity and website for its Waterloo brand to drive further brand awareness and volume growth.

LandShark® and Margaritaville® sales volumes increased by 9.6% during the quarter ended July 29, 2018, compared to the quarter ended July 30, 2017. The increase to these summer-themed brands is attributable to the success of a value-added T-shirt in case promotion.

In the quarter ended July 29, 2018, the volume included in the table above consisted of 26.9% in the premium category which represents an increase of 5% from the quarter ended July 30, 2017 due to the continued success of LandShark® Lager. The Company continues to hold less than 5% of the total market share by volume of TBS retail sales in Ontario.

During the quarter ended July 29, 2018, sales volumes of the Seagram Coolers decreased by 32.6% compared to the quarter ended July 30, 2017. The decrease is primarily due to no volume sold during the period under the licensed Seagram Trademark by Blue Spike Beverages in Quebec as discussed above.

PRODUCTION TAXES & DISTRIBUTION FEES

During the second quarter of fiscal 2019, the Company's production tax increased by 7.6% compared to second quarter of fiscal 2018 due to the increase in sales volume of the Company's beer brands and increases to the rate of beer and excise taxes. Distribution fees during the second quarter of fiscal 2019 represented approximately 14% of gross revenues consistent with the same period during fiscal 2018.

COST OF SALES

Cost of sales was $11.4 million for the second quarter of fiscal 2019, an increase of $0.1 million from the second quarter of fiscal 2018. Cost of sales represented 69.1% of net revenue in the second quarter of fiscal 2019 compared to 71.3% in the second quarter of fiscal 2018; a decrease of 2.2%. The decrease is driven by volume growth, both branded and copack, and favourable product mix.

SELLING, MARKETING AND ADMINISTRATION

In the second quarter of fiscal 2019, selling, marketing and administration ("SM&A") expenses totalled $2.8 million, an increase of $0.1 million from the second quarter of fiscal 2018. SM&A expenses have increased by $0.1 million on a year-to-date basis.

As a percentage of net revenue, SM&A expenses were 17.0% and 20.9% in the second quarter and fiscal year-to-date period ended July 29, 2018, respectively, compared to 16.9% and 17.6% in the same periods of fiscal 2018 ended July 30, 2017. Excluding the impact of the change to consignment, SM&A expenses for the year-to-date period ended July 29, 2018 were 18.1% of net revenue.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the second quarter and fiscal year-to-date period ended July 29, 2018 was $1.1 million and $2.1 million, respectively, compared to $0.9 million and $1.7 million in the same periods in fiscal 2018.

FINANCE COSTS

In the second quarter of fiscal 2019, finance costs were $0.1 million, and $0.2 million on a fiscal year-to-date basis, compared to $0.1 million and $0.2 million in the same periods of fiscal 2018, respectively.

INCOME TAX EXPENSE

In the second quarter of fiscal 2019, the Company recorded an income tax expense of $0.6 million compared to $0.4 million in the second quarter of fiscal 2018. On a fiscal year-to-date basis, the income tax recovery is $0.2 million in fiscal 2019 compared to an expense of $0.7 million in fiscal 2018.

NET EARNINGS

The Company had a net income of $1.4 million in the second quarter of fiscal 2019, compared to $1.1 million in the second quarter of fiscal 2018. On a fiscal year-to-date basis, net loss was $0.4 million for fiscal 2019 compared to net income of $1.9 million for fiscal 2018. Excluding the impact of the change to consignment, the Company had net income of $1.1 million.

The basic and diluted earnings (loss) per share for the quarter and fiscal year-to-date periods ended July 29, 2018 were $0.04 and $(0.01) per share respectively. The basic and diluted earnings per share for the quarter and fiscal year-to-date periods ended July 30, 2017 were $0.03 and $0.05 per share respectively.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Company had an operating line of credit available and term debt outstanding at July 29, 2018. As at July 29, 2018, the Company was in compliance with all covenants to its lenders.

The Company has an operating line of credit which provides for a maximum of $8.0 million credit (margined against accounts receivable and inventory of the Company) and bears interest at a rate of prime plus 0.20%. At July 29, 2018, the Company had bank indebtedness of nil, compared to $0.8 million as at January 31, 2018.

The Company has a positive working capital position of $3.9 million at July 29, 2018 compared to a positive working capital position of $6.1 million at January 31, 2018. The decrease in working capital position is primarily due to the amount payable to TBS of $3.2 million for the buy back of inventory on hand at TBS at the time of change to consignment.

Current assets of the Company were $18.5 million as of July 29, 2018 compared to $15.5 million as of January 31, 2018.

As of July 29, 2018, the Company had $2.7 million of cash on hand compared nil as of January 31, 2018. As of July 29, 2018, the Company's balance of accounts receivable decreased by $0.9 million compared to the balance as of January 31, 2018. Inventory as of July 29, 2018 increased by $1.1 million compared to the balance as of January 31, 2018. The change in inventory is a function of the move to consignment-based sales at TBS.

Property, plant and equipment increased by $1.9 million at July 29, 2018 from January 31, 2018. The balance of property, plant and equipment included purchases of $4.4 million of which $1.7 million were construction deposits paid in a prior period. The additions were offset by depreciation of $2.0 million and from the disposal of equipment for proceeds of $0.3 million. The sale of equipment generated a loss of $0.3 million.

Intangible assets decreased by $0.1 million at July 29, 2018 from January 31, 2018 due to the purchase of new product listings of $37 thousand, offset by amortization of $0.1 million.

The Company's current liabilities were $14.6 million at July 29, 2018 compared to $9.4 million at January 31, 2018, an increase of $5.2 million. The increase is attributable to amounts payable to TBS for the buy back of inventory on hand at TBS at the date of implementation of the change to consignment, as well as timing of payment of commodity taxes.

Deferred income tax liabilities at July 29, 2018 were $1.0 million, a decrease of $0.1 million from January 31, 2018. As at January 31, 2018, the Company had deferred income tax liabilities of $1.1 million.

At July 29, 2018, the Company had an obligation under a finance lease (including the current portion) of $3.4 million, a decrease of $0.4 million from the balance at January 31, 2018. In fiscal 2016, the Company entered into a finance lease agreement with HSBC Bank Canada ("HSBC") for the installation of a new state-of-the-art brew house at its Kitchener, Ontario facility. The decrease of $0.4 million is due to principal payments paid during the first half of fiscal 2019.

Long-term debt (including the current portion) at July 29, 2018 increased by $1.9 million from the balance at January 31, 2018. During the quarter ended July 29, 2018, the Company received a $2.6 million term loan from Wells Fargo, offset by principal repayments during the period.

As at July 29, 2018, the Company had 35,463,139 common shares and 1,549,669 stock options issued and outstanding. Each stock option is exercisable for one common share. During the second quarter of fiscal 2019, 220,000 options were granted pursuant to the Company's stock option plan, 198,996 options were exercised, and no options were forfeited. On a fiscal year-to-date basis, 610,000 options have been granted, 310,662 have been exercised, and 88,333 have been forfeited as at July 29, 2018.

CASH FLOW

The Company generated $5.0 million and $7.3 million through operations during the second quarter of fiscal 2019 and on a fiscal year-to-date basis, respectively, compared to using $0.2 million during the second quarter of fiscal 2018, and $0.9 million on a fiscal year-to-date basis in the second quarter of fiscal 2018.

The amount of cash used in investing activities in the second quarter of fiscal 2019 was $1.1 million ($4.1 million on a fiscal year-to-date basis) compared to $2.9 million used in the second quarter of fiscal 2018 ($6.1 million on a fiscal year-to-date basis). The spending on property, plant and equipment in the second quarter of fiscal 2019 amounts to approximately $1.0 million; $2.7 million fiscal year-to-date. Construction deposits of $1.6 million, on a year-to-date basis, were paid primarily for the purchase and installation of a new canning line completed during the second quarter of fiscal 2019.

The amount of cash used by financing activities in the second quarter of fiscal 2019 was $1.3 million ($0.5 million generated on a fiscal year-to-date basis) compared to $2.8 million of cash generated in the second quarter of fiscal 2018 ($4.2 million on a fiscal year-to-date basis). In the second quarter of fiscal 2019, the Company received a $2.6 million term loan from Wells Fargo which bears interest at a rate of 4.36%. The Company paid principal payments of $0.6 million on outstanding long-term debt and its obligation under finance lease ($1.1 million on a year-to-date basis). In the second quarter of fiscal 2019, the Company paid $1.4 million in dividends to shareholders.

The Company has an operating line of credit with HSBC of $8.0 million which bears interest at a rate of prime plus 0.20%. As at July 29, 2018, the Company was in compliance with the financial covenants required under the terms of the operating line of credit. At July 29, 2018 the amount drawn on the operating line of credit was nil.

COMMITMENTS

The Company utilizes several operating leases to finance office equipment, warehouse and manufacturing equipment, and vehicles. The Company also leases the building in Kitchener where it has its manufacturing, warehousing, and retail 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 25 to the Company's audited annual financial statements for the year ended January 31, 2018.

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

(in thousands of dollars)	**Long-term debt**	**Obligation under finance lease**	**Operating leases**	**Other purchase commitments**	**Total**
Due within one year	$ 1,633	$ 785	$ 1,726	$ 2,374	**$ 6,518**
Due in one to five years	7,240	2,616	6,457	-	**16,313**
Due in over five years	387	-	2,425	-	**2,812**
	9,260	3,401	10,608	2,374	**25,643**

On September 5, 2017, the Board of Directors declared a quarterly dividend of $0.02 per share payable on October 23, 2018 to shareholders of record as at October 9, 2018.

RISK FACTORS, STRATEGIES AND OUTLOOK

Risk Factors

Licensing

The Company requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. The Alcohol and Gaming Commission of Ontario ("AGCO") and the Canada Revenue Agency provide the necessary licensing approvals. Management believes that the Company is in compliance with all licenses, permits and approvals.

Consumer preference/trends

The beer industry is highly competitive and has experienced an overall decline in beer sales over the past several years. Although the impact is uncertain, the legalization of cannabis in Canada may put further pressure on the sale of the Company's products going forward. In Ontario, trends continue to be towards canned beer products in preference to bottle beer products. The installation and upgrade of the Company's canning line in fiscal 2014 has provided the Company with control over production and distribution and the result has been considerable growth in canned volume. In the second quarter of fiscal 2019, the Company completed a further upgrade to its canning line to meet the growing demand for canned beer products. Consumer preference has also shifted towards craft beer which has benefited the Waterloo brands.

Pricing environment

Annual increases in the minimum retail price ("MRP") have seen the price gap between value and mainstream brands reduced, creating increased competitive pressure. Effective August 27, 2018, the government reduced the MRP for beer to a dollar plus deposit per 341ml bottle. With the government's recent change to the MRP, there can be no assurance that further changes to the pricing environment will not have a material impact on the Company. The Company's key competitors have increased the price for value beer to a level above the legal minimum. The Company has historically positioned its brands at the same price point to achieve additional profit margin per unit, however with the reduction of the MRP, there is no certainty that this will continue in the future.

The Company will continue to mitigate ongoing pressure on beer volumes by actively pursuing co-packing contracts that provide incremental volume and gross margin. As required, profits from co-pack arrangements will be reinvested in selling and marketing initiatives to maintain brand loyalty.

Quality

With the backdrop of intense price competition driven by MRP changes, the quality of the Company's product is more important than ever. The Company invests significantly to continually improve overall product quality.

The Company continues to receive recognition for its brewing quality and brands through both local and international brewing communities and expert panels. The Company's Waterloo brands continue to receive international recognition at the Monde Selection in Belgium which was most recently held in April 2018. After receiving special recognition in 2017 with the International High Quality Trophy Award for having achieved superior gold product quality in each of the last three years, Waterloo Grapefruit Radler received another gold award at the 2018 event. Waterloo Dark was also recognized with a Silver medal.

The Company is currently certified under the internationally recognized Global Food Safety Standard and successfully completed its annual re-certification audit in the third quarter of fiscal 2018. Quality improvement resonates with existing and potential co-pack customers and will be a key factor in maintaining and growing co-pack business to utilize available capacity.

The Beer Store/LCBO

TBS and LCBO are unionized organizations and a strike could have a significant negative impact on the Company. There can be no assurance that a TBS or LCBO strike will not occur in the future.

The retail beer channel in Ontario is under continuous scrutiny and there can be no assurance that any future changes implemented by the government will not have a material impact to the Company.

Availability of financing

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

Commodity supply and price risk

The Company is exposed to commodity price risk with respect to agricultural and other raw materials used to produce the Company's products, including malted barley, hops, corn syrup, water, and packaging materials (including glass, aluminum, cardboard and other paper products), where fluctuations in the market price or availability of these items could impact the Company's cash flow and production. The supply and price can be affected by a number of factors beyond management's control, including market demand, global events, frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases, and theft. To the extent any of the foregoing factors affect the prices of ingredients or packaging, the Company's results of operations could be materially and adversely impacted. To minimize the impact of this risk, the Company enters into contracts which secure supply and set pricing to manage the exposure to availability and pricing. The beverage industry is currently experiencing a shortage in aluminum cans which could negatively impact the Company during the balance of the year. The Company is using its best efforts to manage through the can supply shortage.

Exchange rate risk

Purchases of some key inputs are denominated in U.S. dollars. Any further weakening of the Canadian dollar versus the U.S. dollar would result in higher material costs. There can be no assurance that the strength of the Canadian dollar will not materially change in the future. The Company enters into forward contracts to manage foreign exchange rate fluctuations.

Strategy & Outlook

The Company will continue to focus on growing the Waterloo and Seagram trademarks, both of which contribute a higher amount of profit per unit sold. In December 2015, the Company secured the exclusive Canadian rights to both the LandShark® and Margaritaville® brands for beer, cider, and coolers. The Company will be focusing on these brands to position them well for future growth. The Laker family will require a sustained marketing investment to ensure retention of existing customers. The Company recently unveiled a refresh to Laker packaging and the products became available for purchase in the second quarter of fiscal 2019.

In the second quarter of fiscal 2018, the Company announced completion of a brand licensing agreement to secure Canadian rights to the Chudleigh's brand for cider. The agreement is for an initial ten-year term, with provision for further extensions. Chudleigh's branded cider began selling through the LCBO and licensed grocery stores starting in the spring of fiscal 2019.

Additionally, the Company will focus on utilizing its leading-edge manufacturing capability by filling available capacity, lowering cost, and improving efficiency.

In conjunction with its planned Enterprise Resource Planning system implementation, the Company's largest customer, TBS, has moved from a buy-sell relationship to one of consignment during the first quarter of fiscal 2019. On implementation, inventory increased by $3.5 million to reflect inventory on hand at TBS. Further, there was a one-time reversal of gross profit. Net revenue decreased by $3.6 million, cost of sales decreased by $1.4 million, gross profit and EBITDA decreased by $2.2 million, and net income decreased by $1.6 million.

At the time of change to consignment, the Company was required to buy back inventory on hand at TBS, payable over a 26-week period. As at July 29, 2018, the Company has an amount payable to TBS of $3.2 million, included in accounts payable and accrued liabilities. This amount will be paid in weekly installments until October 2018.

In fiscal 2019, the Company will be focused on the following priorities:

Organic growth

Management is targeting organic growth. The Company is positioned well within its core Ontario beer business. Management continues to focus on growth of its premium brands, Waterloo, Seagram, and LandShark®, driven by brand support and the launch of new products. The Company expects to continue to offer seasonal brands during fiscal 2019, such as the launch of the new Waterloo Raspberry Radler available in a radler sampler pack sold through the LCBO, The Beer Store, and select licensed grocery stores. During the balance of fiscal 2019, the Company will focus on regaining the momentum achieved by the successful launch of the summer-themed LandShark® and Margaritaville® products after a slow start to the fiscal year.

The Company will continue to seek new and expanded co-packing relationships in fiscal 2019. The completion of the new brewhouse, the expansion of its Kitchener location in fiscal 2018, and expansion of its can line in fiscal 2019 present further opportunities for the Company to expand its co-pack business.

Improving gross margin per unit

The Laker brand margin has performed well despite the presence of many beer brands at the same or similar pricing. Laker's fit and finish is comparable with mainstream brands. Management believes that this share performance in a highly competitive pricing environment is the result of brand support, a compelling value proposition, and significant quality improvements at Brick in recent years.

With the recent decrease to the minimum retail price by the provincial government in August 2018, the Company will strive to maintain healthy margins while facing potential competitive challenges.

Sales of Seagram and Waterloo products, along with LandShark® and Margaritaville®, will also contribute to margin improvement due to higher revenue per unit. The Company will continue to maximize margin and minimize complexity within the organization by delisting underperforming brands.

Cost reduction

Management believes that cost reduction is an ongoing initiative and forms part of the culture at Brick. Cost reduction will be a continued focus throughout fiscal 2019.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected unaudited quarterly financial information for each of the eight quarters indicated prepared in accordance with IFRS:

$000's *except per share amounts*	Q2 2019	Q1 2019 [1]	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net Revenue	$ 16,564	$ 7,012	$ 10,735	$ 11,671	$ 15,904	$ 11,480	$ 10,539	$ 11,106
Selling, marketing & administration	2,810	2,118	2,095	2,239	2,691	2,118	2,309	2,350
EBITDA*	3,313	(1,167)	1,806	1,682	2,626	2,053	1,769	2,045
Net Income	1,430	(1,851)	308	387	1,120	787	720	854
EPS (Basic)	$ 0.04	$ (0.05)	$ 0.01	$ 0.01	$ 0.03	$ 0.02	$ 0.02	$ 0.02
EPS (Diluted)	$ 0.04	$ (0.05)	$ 0.01	$ 0.01	$ 0.03	$ 0.02	$ 0.02	$ 0.02

1. Refer to the "TBS Consignment" section under "Description of the Business" for further details on the one-time impact of the change to consignment by TBS, the Company's largest customer.

During the first quarter of fiscal 2019, the Company's largest customer, The Beer Store ("TBS"), moved from a buy-sell relationship to one of consignment. On implementation, inventory increased by $3.5 million to reflect inventory on hand at TBS. Further, there was a one-time reversal of gross profit. Net revenue decreased by $3.6 million, cost of sales decreased by $1.4 million, gross profit and EBITDA decreased by $2.2 million, and net income decreased by $1.6 million.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's accounting policies, and future accounting pronouncements, are discussed in detail within note 5 and 6, respectively, to the Company's annual audited financial statements for the year ended January 31, 2018.

Leases

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which supersedes IAS 17 *Leases*, as well as several interpretations on leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases. Instead, all leases will be classified as finance leases and recognized in the statement of financial position under lease assets and financial liabilities, with certain exceptions.

IFRS 16 is effective for fiscal years beginning on or after January 1, 2019, with earlier adoption permitted, provided that IFRS 15, *Revenue from Contracts with Customers*, is also applied. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on February 1, 2019.

Effective February 1, 2019, the Company anticipates that it will classify the lease of its manufacturing facility and the leases of Company vehicle, as finance leases. These leases are currently presented as operating leases and represent approximately $1.0 million of operating expenses in fiscal 2019. As such, the Company expects these expenses to decrease,

and depreciation and interest expense to increase in fiscal 2020. The Company is currently determining the extent of the impact of adoption of the standard.

CHANGES TO ACCOUNTING POLICIES

The Company has adopted the following new standards effective February 1, 2018:

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") which replaces the detailed guidance on revenue recognition requirements that previously existed under IFRS. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenues from contracts with customers, excluding contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue – at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company's current co-packing customers control access to the benefits of the liquid manufactured for packaging, as well as the finished product. As such, the Company has determined that contracts with its existing co-packing customers meet the criteria to recognize revenue over a period of time.

The Company's other customers (such as The Beer Store, and the Liquor Control Board of Ontario) do not control access to the benefits of the Company's products until they have been shipped to them. As such, the Company has determined that revenue generated from these customers is required to be recognized at a point in time.

Transition considerations

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of initially applying IFRS 15 recognized in opening retained earnings at the date of initial application (the "modified retrospective method").

The Company has adopted IFRS 15 in its financial statements for its annual and interim periods beginning February 1, 2018 and decided to use the modified retrospective method, without restatement of comparatives figures.

IFRS 15 provides for certain optional practical expedients, including upon the initial adoption of the standard. The Company applied the following practical expedients upon adoption of IFRS 15 on February 1, 2018:

- Completed contract – the Company applied IFRS 15 retrospectively only to contracts that were not completed contracts as at February 1, 2018. There were no uncompleted contracts at February 1, 2018.
- Contract modifications – the Company did not apply IFRS 15 retrospectively to contract modifications that occurred before February 1, 2018.

The adoption of the standard did not have a material impact on the financial statements.

Financial instruments

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and replaced IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured

at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released in July 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company adopted IFRS 9 in its financial statements for its annual and interim periods beginning on February 1, 2018. The adoption of the standard did not have a material impact on the financial statements.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are discussed in note 27 to the Company's audited financial statements for the year ended January 31, 2018.

CRITICAL ACCOUNTING ESTIMATES

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

Property, plant and equipment

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

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

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

Returnable containers

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

Intangible assets

Intangible assets consist of trademarks and listings. Trademarks are recorded at cost and are not amortized but instead are reviewed for impairment at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, an impairment of these assets and a related write-down may result. As at the date of this report, the Company believes that its estimates are materially correct.

Income Taxes

The determination of the Company's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from management's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. As at the date of this report, the Company believes that its estimates are materially correct.

Share-based reserves: share-based payments

The Company recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the stock option plan. Assumptions regarding expected stock volatility and risk free interest rates are required to calculate the fair value of the consideration received.

Provisions

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

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer (collectively, the "Executive Team") are responsible for establishing and maintaining disclosure controls and procedures as defined under National 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 July 29, 2018 and has concluded that such procedures were effective, subject to the matters identified below under "Internal Control Over Financial Reporting", in providing such reasonable assurance as of such date and for the quarter then ended.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of July 29, 2018, based on the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that internal control over financial reporting was effective as of July 29, 2018.

In the course of evaluating its ICFR as at July 29, 2018, the Executive Team identified a disclosable weakness in the area of segregation of duties, caused by limited staffing resources. Specifically, given the size of the Company's staffing levels, certain duties within the accounting and finance department cannot be properly segregated. As a result there are identifiable instances where personnel had the ability to initiate transactions or accounting entries within certain financial reporting applications that may not be compatible with their other roles and responsibilities. However, none of the segregation of duty or access control deficiencies resulted in a misstatement to the financial statements as the Company relies on certain compensating controls, including periodic review of the financial statements by the Executive Team. This weakness is reported in accordance with National Instrument 52-109 and is considered to be a common area of deficiency for many smaller listed companies in Canada.

FINANCIAL INSTRUMENTS

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

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

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

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

A portion of the Company's purchases are in U.S. dollars. The Company sells less than 1% of its products in U.S. dollars.

The Company uses significant quantities of malt and hops. The Company uses fixed price contracts of less than one year to reduce the exposure to price fluctuations on these commodities. The Company has secured its required supply of malt and hops for fiscal 2019 and has entered into fixed price contacts, the balance of which are disclosed in the commitments schedule included in this MD&A.

SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As of July 29, 2018 and September 5, 2018, no preferred shares were issued and outstanding.

The Company has granted stock options to certain officers and key employees pursuant to the Company's stock option plan. Options granted under the plan are exercisable for a period of up to five years from the date of grant, at an exercise price equal to the weighted average price at which the Company's shares have traded on the TSX during the five trading days immediately preceding the date of grant, subject to a three year vesting period.

Each stock option outstanding is exercisable for one common share at prices ranging from $1.29 to $4.16.

The total number of common shares and stock options outstanding as of September 5, 2018 is as follows:

Number of shares	Number of options
35,463,439	1,549,669

INVESTOR & CONTACT INFORMATION

STOCK EXCHANGE AND LISTED SECURITIES

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

INVESTOR AND ANALYST INQUIRIES

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BOARD OF DIRECTORS

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David R. Shaw
Edward H. Kernaghan
George H. Croft
John H. Bowey
Stan G. Dunford

OFFICERS

George Croft, President and Chief Executive Officer
Russell Tabata, Chief Operating Officer
David Birch, Chief Financial Officer