

Brick Brewing Co. Limited Annual Information Form

For The Year Ended
January 31, 1998

June 24, 1998

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1. Incorporation and Organization

Brick Brewing Co. Limited (the "company") of Waterloo, Ontario was incorporated under the Business Corporations Act (Ontario) by Articles of Incorporation dated February 20, 1984 and became a reporting issuer on December 12, 1986. Since incorporation, the articles have been amended to reflect the following changes:

June 21, 1984 - change in the number of directors and authorized share capital classes

July 3, 1984 - change in the number of directors

May 23, 1985 - changes in authorized share capital classes

July 4, 1985 - changes in rights, privileges, restrictions and conditions attached to common shares

September 29, 1986 - change in the number of directors and authorized unlimited number of common shares

September 30, 1986 - changes in authorized share capital classes

October 3, 1986 - changes in authorized share capital restrictions

October 7, 1986 - changes in authorized share capital restrictions

December 11, 1986 - amalgamation of Mortar Small Business Development Corporation with Brick Brewing Co. Limited to continue as Brick Brewing Co. Limited

2. Business of the Company

Established in 1984, Brick Brewing Co. Limited was the first microbrewery of its kind to start up in Eastern Canada in recent decades, and is credited as a pioneer for starting the present day beer renaissance in Canada.

With the use of traditional European brewing procedures, including cold filtration, the company produces a wide array of distinctive all-natural beers, each designed and targeted to appeal to different taste profiles.

In addition to these brands the company is a licensed brewer in Canada for Henninger Kaiser Pils of Frankfurt, Germany, the Benedictine Andechs beer of Bavaria and Celis Brewery of Austin, Texas.

The company has approximately 90 full and part-time employees. The brewery's administrative and sales offices are located at 181 King St. South, Waterloo, Ontario. The brewery operates production facilities and an on-site retail beer store at the Waterloo location and at the historic Formosa Brewery located at Number One Old Brewery Lane, Formosa, Ontario. In Waterloo, the company owns a renovated three story brick building that is approximately 150 years old and totals approximately 30,000 square feet. An additional 28,000 square feet of nearby warehousing and distribution facilities in Kitchener are leased and the company also leases a sales office in Toronto, Ontario. The company also owns the Formosa production facility, which includes over 25,000 square feet of production and office space. The company leases an additional 12,000 square feet of storage in Walkerton, Ontario.

The following information describes the general development of the company over the past five years.

During this period Brick has increased its sales by more than 105%, from \$9.7 million in fiscal 1994 to \$19.9 million for 1998, while the Ontario beer industry fell approximately 2% over the same five-year period. The increase in sales was achieved through the growing popularity for quality microbrewed beer, gold medals awarded for quality at international competitions, the acquisition and introductions of additional brands and an emphasis on selling draught to licensed establishments.

To support the increased sales volume, primarily through equity and term debt, the company has purchased over \$8 million of fixed assets during the past five years to increase production capacity to 220,000 hectolitres per year through both locations and continued production cost reductions through automation.

As one of the initiatives to improve its long-term profitability, the company elected to change to the industry standard beer bottle during 1994 and 1995. The company incurred more than \$580,000 of expense related to the write off of its non-industry style bottles over the past five years. Although the non-industry bottles are now being used in another market, as of January 31, 1997, all non-standard bottles and costs related to the conversion to the industry standard bottle have been written off.

Over the years the company has obtained registration in Canada and the United States for the trademarks related to the various products sold and these trademarks have significant value in the marketing of the products developed through ongoing product research and development.

The company produces both bottled beer and draught in kegs with the ratio during the past two years being - bottled 62%, kegged 38% in fiscal 1998 and bottled 55%, kegged 45% during 1997. The ratio change reflects the bottle / draft mix of recent acquisitions, the Laker brand family is exclusively in bottles. Sales of the company are seasonal, due to increased consumption during the summer months, with approximate sales revenue percentages by fiscal quarter during 1998 of 17%, 27%, 31% and 25%.

The province of Ontario is the company's prime market, with the OV split product being exported to the United States. The beer is marketed in Ontario through the facilities of Brewers' Retail Outlets, LCBO Stores, two on-site retail stores and licensed establishments.

The company's two main customers are the Brewers' Retail and the Liquor Control Board of Ontario. The Brewers' Retail outlets and LCBO stores, which sell primarily to the home consumer, accounted for 66% in fiscal 1998 and 58% in 1997 of the company's total sales.

Raw materials required for the production process consist of all natural ingredients - malt, hops, yeast and water, together with filters and packaging materials. All of the materials are readily available from various suppliers within the area and costs are subject to commodity pricing fluctuations for malt and some packaging materials.

The operation of the business is affected very little by environmental protection requirements as the process consists of only natural ingredients except for chemicals used for cleaning which are food grade approved and present no environmental concerns.

The company operates in a competitive industry. Due to changing lifestyles, consumer tastes and habits, total beer consumption in the Ontario market has declined and the trend is expected to continue. Increased competition for market share has resulted in additional domestic and imported brands being introduced, growth in the discount beer segment and large breweries entering the premium beer sector. To ensure that the company remains in the forefront of the industry it has made strategic acquisitions along with contract brewing and licensing arrangements to increase market share and provide products to satisfy each segment of the market. In December 1996, the company purchased the trademarks of Conners Brewery for its premium line of primarily ales to complement the company's portfolio of mainly lager style brands. In February, the Pacific Real Draft trademark and other rights for the Province of Ontario were purchased from Cascadia Brands Inc. Also, in May 1997 the company purchased from Molson Breweries the rights and interest in the Laker family of brands for Canada. As part of the transaction, Molson was issued 1,500,000 common shares of the company, which provides Molson Breweries with approximately 14%, as of January 31, 1998 of the outstanding common shares of the company.

In July 1997, the company completed a purchase of the property, plant, equipment, trademarks and other rights of The Northern Algonquin Brewing Company Limited Partnership, which includes the historic brewery and aquifer of Formosa, Ontario. This major acquisition gives Brick a heritage of new

brands as well as another first class brewing facility, doubling our brewing and packaging capacity and allows for other planned volume initiatives.

The outlook for fiscal 1999 and beyond is very positive. The company looks forward to generating profitability and cash to further strengthen its financial position and enable the company to begin utilizing the \$4.9 million of income tax loss carry-forward and timing differences which are available to reduce taxable income.

3. Summary of Financial Information

Five Year Summary **Year Ended January 31**

	1998	1997	1996	1995	1994
	(in thousands of dollars except per share amounts)				
Sales	\$19,923	\$10,195	\$10,181	\$10,619	\$9,696
Net earnings (loss)	694	(722)	(854)	108	(162)
Earnings (loss) per share					
Basic	.08	(.14)	(.18)	.02	(.03)
Fully diluted	.06	(.14)	(.18)	.02	(.03)

Year Ended January 31,

	1998	1997	1996	1995	1994
	(in thousands of dollars except per share amounts)				
Total assets	\$19,835	\$6,528	\$4,546	\$4,991	\$4,352
Total long term debt	5,794	1,617	1,762	1,277	1,072

Summary of Quarterly Results

	1998				1997			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
	(in thousands of dollars except per share amounts)							
Sales	\$3,425	\$5,274	\$6,195	\$5,029	\$2,177	\$2,910	\$2,700	\$2,408
Net earnings (loss)	41	363	499	(209)	(81)	(42)	(94)	(505)
Earnings (loss) per share								
Basic	.01	.03	.07	(.03)	(.02)	(.01)	(.02)	(.09)
Fully diluted	.00	.03	.04	(.03)	(.02)	(.01)	(.02)	(.09)

Dividend Policy

The issued share capital of the company consists solely of common shares and although the dividend policy authorizes the Board of Directors to declare dividends, the company has never paid dividends and no cumulative dividends are owing.

4. Management s Discussion and Analysis

The Management Discussion and Analysis appears on pages 4 to 7 of the company's 1998 Annual Report and is incorporated in its entirety in this annual information form by reference.

5. Market for Securities

The common shares of Brick Brewing Co. Limited are listed and posted for trading on the Toronto Stock Exchange under the trading symbol of BRB.

6. Directors and Officers

The names of the directors and officers of the company, their positions and offices held with company, principal occupations and present municipalities of residence are set forth below:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>	<u>Director Since</u>
James R.A. Brickman Waterloo, Ontario	Director and Officer	President and Chief Executive Officer, Brick Brewing Co. Limited	February 1984
Ron L. Fowler San Diego, California	Director	Chairman and Chief Executive Officer, Liquid Investments Inc.	September 1996
Thomas W. Gilchrist Toronto, Ontario	Director	President, T.W.Gilchrist Vending Ltd.	July 1984
J. Howard Hawke Toronto, Ontario	Chairman, Board of Directors	Chairman of the Board Brick Brewing Co. Limited	July 1984
Donald B. Kopas Toronto, Ontario	Director	Chairman and Chief Executive Officer, Kopas & Burritt Financial Agents Ltd.	May 1986
Scott E. McNabb Waterloo, Ontario	Director	Investment Vice President Corporate Loans, The Mutual Life Assurance Company of Canada	February 1995

Paul G. Morton Toronto, Ontario	Director	President, Security Investments . Corporation Ltd.	May 1996
W. Scott Uffelman Waterloo, Ontario	Director	President, Ontario Seed Company Limited	July 1984
Jeffrey P. Botham Cambridge, Ontario	Officer	Vice President Finance, Brick Brewing Co. Limited	----
Michael A. Ostner Waterloo, Ontario	Officer	Vice President Operations, Brick Brewing Co. Limited	----
J. Marie Peacock Kitchener, Ontario	Officer	Secretary, Brick Brewing Co. Limited	----

During the past five years, all the directors and officers of the company have held their principal occupations mentioned above or have been employed in other capacities by the companies shown opposite their names, except for Mr. Botham who, prior to 1995 was employed by the Northern Algonquin Brewing Company Limited Partnership.

All of the directors are elected to hold office until the next annual meeting or until their successors are elected.

The company has no Executive Committee. The members of the Audit Committee are Mr. Hawke, Mr. Kopas and Mr. Uffelman.

As of the date of this report the directors and senior officers as a group beneficially owned, directly or indirectly, 26.9% of the common shares.

7. Additional Information

Additional financial information is provided in the company's comparative audited financial statements for the years ended January 31, 1998 and 1997. The company's management information circular, for its most recent annual meeting of shareholders which involved the election of directors, contains additional information relating to directors' and officers' remuneration, principal holders of voting shares and options to purchase shares.

A copy of the above documents may be obtained upon request from the Secretary of the company.