



January 31st, 1999



annual report

Brick Brewing Company, Limited

annual report

The Discovery Never Ends



Established in 1984, Brick Brewing Co. Limited of Waterloo, Ontario was the first craft brewery 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.

With the use of traditional European brewing procedures, including cold filtration, Brick Brewery 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. At present all products are sold in key Ontario markets through Brewers Retail Outlets, LCBO Stores and Licensed establishments.

Brick Operates two breweries in Ontario; a facility in Waterloo and the Formosa Spring Brewery in Formosa.



Graphic Standards

A new graphic standard has been introduced for all marketing & collateral. The idea is to entice and educate our consumers of all the brands we brew. The continuous art motif will promote “grazing” between brands.

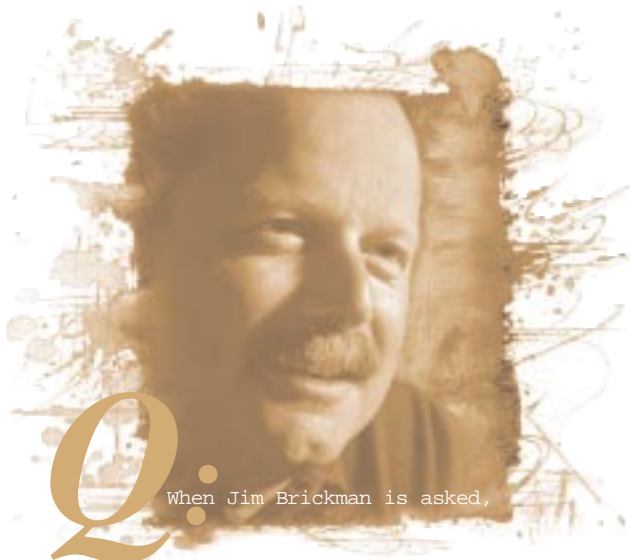
The Discovery Never Ends



May 26, 1999

Dear Shareholder

Brick Brewing Co. Limited



When Jim Brickman is asked,

What's your favourite
Brick beer?

He answers

The next one.

Dear Shareholder,

Disappointment and frustration sums up our past year. What should have been a banner year for Brick turned into a series of unforeseen production delays and setbacks from which we were unable to recover. Our plan was to realign production so that our bottled product would be packaged at our new high speed bottling line in Formosa, and our draft product would be produced in Waterloo.

This realignment of Brick's production between our two brewing facilities took much longer than anticipated, and as a result adversely affected the company performance. As a result, sales during the peak summer selling period were difficult to achieve, so too were the cost savings associated with this consolidation, which in turn had a significant negative effect on net earnings.

Despite these complications, we still managed to grow sales by 11% to \$22 million from \$19.9 million the year before but we incurred much higher costs than planned. This resulted in a net loss of \$2.2 million or \$.19 per share for the year ending January 31, 1999, which includes a reorganization charge of \$1.4 million.

I am pleased to report that the production realignment has been completed and the cost savings that were anticipated with this initiative are achievable and realistic. I can confirm with confidence that the concept of the project is sound and will yield the expected results.



Our plan to capitalize on the production efficiencies, improved distribution logistics, well-rounded assortment of beer, and our overall fiscal game plan, though delayed by the unanticipated delay in implementation is still valid.

Our company is now in the position to increase volumes efficiently and it is our objective to be back on track with our planned targets for this coming fiscal year. My heartfelt thanks go to our employees who bore as much of the frustration and disappointment as I did personally.

Our emphasis going forward is a 100% commitment to regain lost ground quickly, minimize distractions, and build profitably on the solid framework we have put together, thus creating the value that our shareholders are entitled to and have been patiently expecting.

Today people are far more open to experimenting and are choosing their beer based on its taste or sense of occasion rather than by habit. Brick is well positioned to exploit this trend as we have positioned our wide variety and interesting range of beers to reflect the multitude of tastes, attitudes, moods and cultural traditions that are becoming more and more evident. Over time, this will be our most visible competitive advantage.

That is why we say at Brick....
"The discovery really never ends."

A handwritten signature in black ink, appearing to read "Jim", with a long horizontal flourish extending to the right.

James R.A. Brickman
President and CEO
May 26, 1999

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides a review of the results of operations and financial position of the Brick Brewing Co. Limited ("Brick" or the "Company") for the fiscal year ended January 31, 1999 in comparison with the fiscal year ended January 31, 1998. This discussion and analysis should be read in conjunction with the financial statements and accompanying notes.

DESCRIPTION OF BUSINESS

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 being one of the pioneers of the present day beer renaissance in Canada.

With the use of traditional European brewing procedures, including cold filtration, Brick produces an array of distinctive all-natural beer styles, 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 Germany, Andechs of Kloster Andechs Monastery of Bavaria, Germany, and Celis White for Celis Brewery of Austin, Texas as well as for the OV split 6.5 ounce bottle exported to the United States for the Miller Brewing company on behalf of Molson Breweries.

Brick produces both bottled beer and draught in kegs at its two production facilities located in Waterloo and Formosa, Ontario. The Company markets primarily in Ontario, with the exception of the OV splits, through the facilities of Brewers' Retail outlets, LCBO stores and licensed establishments.

Results of Operations

Brick Brewing Co. Limited recorded a net loss of \$2,188,000 for the financial year ended January 31, 1999, compared to net earnings of \$694,000 for the year ended January 31, 1998.

Sales for the year ended January 31, 1999 were \$22,066,000, an increase of 11% over the previous year's sales of \$19,923,000. During the year we streamlined our operations by consolidating our bottling operations to our Formosa location and converting our Waterloo location to draught production. We continue to brew at both locations, but now have the efficiencies of state of the art lines for packaging in Formosa and draught production in Waterloo.

During the year the company underwent significant reorganization. The related costs included restructuring and refocusing our sales effort in brands, markets and personnel of \$597,000, establishing new marketing networks of \$558,000 and consolidation of bottleshop operations to the Formosa location of \$195,000.



The Brick Oktoberfest PressCam newspaper ad campaign. Our campaign won a Bronze ICON advertising award.

Industry volume increased by .9% in Ontario during the year ended January 31, 1999.

The Company increased sales to 93,000 hectolitres (hl) in the year ended January 31, 1999 compared to 86,500hl during the previous year. The additional volume resulted from a full years sales from the acquisitions that took place during the prior year.

Gross margin for the year ended January 31, 1999 decreased \$709,000 from the prior year, the result was due to changes in our sales mix, inefficiencies during the production changeover and increased overheads. Fiscal 1999 has a full year of operations at both production facilities, and the full annualized savings of our rationalization will not be evident until fiscal 2000.

Selling, marketing and administration expenses increased from \$3,302,000 the previous year to \$3,762,000 for the year ended January 31, 1999. The increase was due to costs associated from incorporating a full years worth of sales and marketing costs from the Algonquin acquisitions and the expansion of our sales force.

Earnings before interest, depreciation and amortization and reorganization costs for the year ended January 31, 1999 were \$633,000 versus \$1,802,000 for the prior year. Interest expense for the year increased by \$80,000 due to the full year for the additional term debt taken on to partially finance the fiscal 1998 Algonquin asset purchase.

Depreciation and amortization expense increased \$281,000 as a result of the Company's recent acquisitions and a full years depreciation on the fiscal 1998 Algonquin asset purchase.

Liquidity and Capital Resources

The Company utilized \$477,000 of cash from operating activities for the year ended January 31, 1999 compared to \$453,000 provided from operations for the year ended January 31, 1998.

The financial position of the Company as of January 31, 1999 reflects a working capital deficit of \$908,000 compared to a surplus of \$1,125,000 for the fiscal year ended January 31, 1998. Bank indebtedness is \$1,532,000 in fiscal 1999, an increase from last year's indebtedness of \$63,000. The change in the bank indebtedness reflects the disappointing results from this years operating activities.

Total assets of the Company stayed equal to last years levels at \$19,790,000 compared to \$19,835,000 from the previous year. The Company has approximately \$7,002,000 in income tax loss carry-forwards and timing differences available to reduce taxable income in future years. Total liabilities increased by \$94,000 to \$7,869,000 as of January 31, 1999, compared to \$7,775,000 for the fiscal year ended January 31, 1998.

During fiscal 1999, the remaining 812,500 common share purchase warrants from a 1998 issue were exercised. The common share purchase warrants were exercisable to purchase one common share a a price of \$2.50 per common share.

Shareholders' equity, as of January 31, 1999 was \$11,921,000 down from \$12,060,000 the previous year, a decline of \$139,000.



The Brick Oktoberfest PressCam website attracted 35,000 visitors to watch almost live Brick sponsored events through a mobile web camera.

Cash used in total investment activity was down significantly in fiscal 1999. This years total investment activity was \$1,314,000 compared to total acquisitions last year of \$12,574,000. (Acquisition of the assets of the Northern Algonquin Brewing Company Limited Partnership during fiscal 1998 accounted for \$6,472,000, the majority of the investment activity). Trademarks and other deferred cost acquisitions were \$90,000 in fiscal 1999 compared to \$4,679,000 for the prior year. (The majority of the trademark acquisitions represents the Laker acquisitions of \$4,062,000 made during fiscal 1998).

The net cash used to fund plant and equipment expenditures was \$1,224,000 during the year ended January 31, 1999 compared to \$1,423,000 for the year ended January 31, 1998, excluding those acquired with the Algonquin asset purchase during fiscal 1998. These expenditures relate primarily to the purchase of equipment required to consolidate bottle operations, complete expansion at both production facilities to an annual capacity of 220,000 hectolitres and improve overall packaging efficiencies required to meet planned volume initiatives from recent acquisitions.

The Company has an authorized \$2,000,000 bank operating line of credit. The company has been able to meet all of its obligations, however as of January 31, 1999 was operating outside the terms of certain term loan covenant ratios, which were waived by the lenders.

Risk Factors, Strategies and Outlook

There has been no real growth in the general brewing industry in recent years and this trend is expected to continue. There is increasing competition for market share resulting 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 Brick remains in the forefront of the industry, the Company has spearheaded the consolidation process in the microbrewery industry, by making strategic acquisitions, brewing alliances and new licensing arrangements that provide a product portfolio that satisfies many segments of the market.

Raw materials, which are subject to commodity pricing fluctuations, represent a large portion of the overall productions costs. The Company has been successful in negotiating with suppliers to reduce costs and continues to minimize the impact of raw material cost fluctuations.

The Company participates in an industry which continues to be influenced by government regulatory and taxation policy. Microbreweries, due to the smaller volumes brewed, are not able to attain the low per unit cost efficiencies that large breweries can and, as such, are not in a position to absorb higher rates of taxes. The small breweries of Ontario as a group work with both federal and provincial governments to maintain and improve the existing tax structure and policies for operations with smaller economies of scale.

Brick Family Sell Sheets



Formosa beer and water sell sheets



Brewers' Retail and LCBO stores combined to distribute approximately 76% of the company's total sales during fiscal 1999 and any material change in Brewers' Retail or LCBO policies, rates or a disruption of service could have a material adverse effect on the Company.

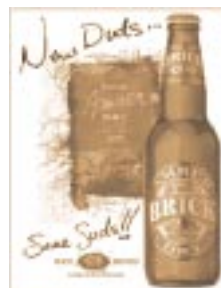
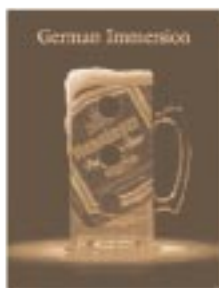
The Company has reviewed its computer systems and software packages and all existing systems are year 2000 compliant. The Company has contacted major customers, suppliers and lenders, and they have indicated there is no significant risk or cost to Brick on their internal year 2000 conversions. The Company conducts testing on all systems to ensure continued year 2000 compliance. All recent updates and future purchases require that the software or equipment be year 2000 compliant. As a result, the Company does not anticipate significant costs associated with year 2000 compliance.

The outlook for fiscal 2000 and beyond is very positive. The capacity of Brick's two production facilities has been expanded to handle the additional volume that is expected from recent and planned initiatives. The Company has carefully built a balanced portfolio of beer styles. With the Formosa facility, the Company can enjoy upside potential through the balancing of production between the two plants and exploiting its expertise in contract and international licensing for others including Molson, which has a vested interest in the Company's success.

The Company's objectives for the coming year are to:

- * brew and distribute the widest, most interesting array of superbly crafted beer choices available in Canada.
- * maintain our commitment and reputation for brewing the highest quality all natural beer.
- * continue to reduce costs throughout the organization with emphasis on improving production and distribution efficiencies.
- * focus on our strengths to expand distribution and to develop and grow our brands and company quickly and profitably and by doing so create shareholder value.
- * increase our visibility utilizing a comprehensive public relations/publicity campaign and intensified event sponsorship programs.
- * continue our program of improved customer service through relentless dedication to the people who buy, sell, and consume our products.
- * enhance our reputation as a great employer, community citizen and competitor.
- * continue to explore merger, acquisition and alliance opportunities.

Our poster series has created brand awareness at the BRI s. The Ein Prosit poster won a gold ICON advertising award, the German Immersion poster won silver, and the Pitcher This poster won bronze sweeping the category.





A refreshed Hammerhead brand identity



Brewhouse Newsletter

Auditor's Report

AUDITORS REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Brick Brewing Co. Limited as at January 31, 1999 and 1998 and the statements of earnings and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at January 31, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slightly slanted, with a casual, professional appearance.

Chartered Accountants

Waterloo, Canada
March 19, 1999

January 31, 1999 and 1998

	1999	1998
Assets		
Current assets:		
Accounts receivable	\$ 950,483	\$ 1,171,219
Inventories (note 3)	2,546,051	2,068,997
Prepaid expenses	121,654	593,070
Total current assets	3,618,188	3,833,286
Capital assets (note 4)	9,770,452	9,307,468
Trademarks and other deferred costs (note 5)	6,401,183	6,694,206
	\$ 19,789,823	\$ 19,834,960
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	\$ 1,532,038	\$ 62,835
Trade accounts payable and accrued liabilities	1,917,320	1,482,498
Sales and other taxes payable	351,850	435,453
Current portion of long-term debt	725,000	727,255
Total current liabilities	4,526,208	2,708,041
Long-term debt (note 7)	3,342,928	5,067,096
Shareholders' equity:		
Share capital (note 8)	18,910,160	16,861,646
Deficit	(6,989,473)	(4,801,823)
Total shareholders' equity	11,920,687	12,059,823
	\$ 19,789,823	\$ 19,834,960

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

Years ended January 31, 1999 and 1998

	1999	1998
Sales	\$ 22,065,554	\$ 19,923,426
Cost of goods sold:		
Materials, labour, overhead and distribution	10,870,546	8,874,364
Production taxes	6,800,668	5,945,972
	<u>17,671,214</u>	<u>14,820,336</u>
Gross margin	4,394,340	5,103,090
Expenses and other income:		
Selling, marketing and administration	3,761,582	3,301,561
Depreciation and amortization	1,144,250	863,020
Interest on long-term debt	283,872	251,430
Other interest	41,478	(6,562)
Reorganization costs (note 10)	1,350,808	-
	<u>6,581,990</u>	<u>4,409,449</u>
Net earnings (loss)	(2,187,650)	693,641
Deficit, beginning of year	(4,801,823)	(5,495,464)
Deficit, end of year	<u>\$ (6,989,473)</u>	<u>\$ (4,801,823)</u>
Net earnings (loss) per share:		
Basic	\$ (0.19)	\$ 0.08
Fully diluted	(0.19)	0.06

See accompanying notes to financial statements.

Statements of Changes in Financial Position

C h a n g e s
i n
P o s i t i o n

Brick Brewing Co. Limited

Years ended January 31, 1999 and 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ (2,187,650)	\$ 693,641
Items not involving cash:		
Amortization	1,144,250	863,020
Amortization of discount on debenture payable	-	13,125
Change in non-cash operating working capital	566,317	(1,116,599)
Cash provided by (used in) operating activities	(477,083)	453,187
Financing:		
Increase (decrease) in long-term debt	(1,726,423)	4,081,246
Proceeds on common shares issued, net	2,048,514	8,799,008
Cash provided by financing activities	322,091	12,880,254
Investments:		
Acquisition of operating assets of The Northern Algonquin Brewing Company Limited Partnership (note 2)	-	(6,472,000)
Acquisition of capital assets	(1,289,885)	(1,423,220)
Gain on disposal of capital assets	(890)	-
Proceeds on disposition of capital assets	67,000	-
Additions to trademarks and other deferred costs	(90,436)	(4,678,763)
Cash used in investment activities	(1,314,211)	(12,573,983)
Increase (decrease) in cash	(1,469,203)	759,458
Bank indebtedness, beginning of year	(62,835)	(822,293)
Bank indebtedness, end of year	\$ (1,532,038)	\$ (62,835)

See accompanying notes to financial statements.

Financial Notes:-

Years ended January 31, 1999 and 1998

Brick Brewing Co. Limited operates two breweries serving primarily the Ontario market. The company brews and markets bottled beer as well as draught beer in kegs. The company's products are marketed through the facilities of the Brewers' Retail system, the Liquor Control Board of Ontario, and to licensed establishments.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business.

The application of the going concern concept is dependent on the company's ability to generate earnings and cash flow from operations in excess of its debt and other obligations, ability to obtain funds from external financing and continued support from its shareholders. Management is of the opinion that sufficient working capital will be obtained from operations and external financing (see note 7) to meet the company's liabilities and commitments as they become payable. Outlined below are those specific policies considered particularly significant in the preparation of these financial statements.

(b) Inventories:

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

(c) Capital assets:

Capital asset acquisitions are recorded at cost. Expenditures which significantly increase the life of an asset are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Amortization is provided for using the following method and annual rates:

Asset	Basis	Rate
Building	Straight-line	3% - 5%
Storage tanks	Straight-line	3% - 6%
Equipment	Straight-line	3% - 20%
Computer equipment	Straight-line	30% - 50%
Vehicles	Straight-line	10% - 30%

Years ended January 31, 1999 and 1998

1. Significant accounting policies (continued):

(d) Trademarks and other deferred costs:

Trademarks and other deferred costs are recorded at cost and are amortized on a straight-line basis over varying periods up to a maximum of 25 years.

(e) Net earnings (loss) per share:

Basic net earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year.

Fully diluted net earnings (loss) per share is calculated based on the assumption that all outstanding stock options and warrants have been exercised at the beginning of the year.

(f) Use of estimates in the preparation of financial statements:

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

2. Acquisition:

On July 9, 1997, the company purchased the operating assets of The Northern Algonquin Brewing Company Limited Partnership, which was accounted for by the purchase method. Total assets, including intangible assets, of \$6,472,000 were acquired. Consideration given for the acquisition consisted of 200,000 common shares of the company and \$6,000,000 in cash.

3. Inventories:

	1999	1998
Promotional inventory	\$ 252,487	\$ 207,783
Returnable containers	747,903	606,358
Raw materials and supplies	908,711	764,963
Work-in-process and finished goods	636,950	489,893
	\$ 2,546,051	\$ 2,068,997

Years ended January 31, 1999 and 1998

4. Capital assets:

				1999	1998
		Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 275,000	\$ -		\$ 275,000	\$ 275,000
Building	2,140,951	639,516		1,501,435	1,412,116
Storage tanks	1,074,030	405,011		669,019	724,368
Equipment	10,252,469	3,010,878		7,241,591	6,790,029
Computer equipment	201,301	129,310		71,991	27,576
Vehicles	179,866	168,450		11,416	78,379
	\$ 14,123,617	\$ 4,353,165		\$ 9,770,452	\$ 9,307,468

Amortization of capital assets was \$760,791 (1998 - \$583,467).

5. Trademarks and other deferred costs:

		1999	1998
Trademarks		\$ 5,128,138	\$ 5,254,799
Other deferred costs		1,273,045	1,439,407
		\$ 6,401,183	\$ 6,694,206

Amortization of trademarks and other deferred costs was \$383,459 in 1999 (1998 - \$279,553).

6. Bank indebtedness:

The company has a bank operating line of credit with interest at prime plus .25%. The bank operating loan and term loan are secured by a general security agreement over all assets other than real property and a collateral mortgage in the amount of \$5,500,000 over real property.

Years ended January 31, 1999 and 1998

7. Long-term debt:

	1999	1998
Term loan, prime plus .75% monthly, principal payments of \$45,764 plus interest, due June 2007	\$ 3,667,928	\$ 5,217,096
Term loan, unsecured, no interest payable, due January 2001	400,000	575,000
	4,067,928	5,792,096
Obligations under capital leases	-	2,255
Total loans	4,067,928	5,794,351
Less current portion of long-term debt	725,000	727,255
Long-term debt	\$ 3,342,928	\$ 5,067,096

The interest-bearing term loan and bank operating loan are secured by a general security agreement over all assets other than real property and a collateral mortgage in the amount of \$5,500,000 over real property.

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

2000	\$ 725,000
2001	775,000
2002	550,000
2003	550,000
2004 and thereafter	1,467,928
	\$ 4,067,928

Years ended January 31, 1999 and 1998

8. Share capital:

(a) The company has authorized an unlimited number of common shares.

The company has authorized an unlimited number of preferred shares. No preferred shares are issued.

Common share transactions are summarized as follows:

	Number of shares 1999	Stated value 1999	Number of shares 1998	Stated value 1998
Issued, beginning of year	10,635,430	\$ 16,861,646	6,069,015	\$ 8,015,033
Shares issued under private placement:				
Special warrants	-	-	2,000,000	4,000,000
Consideration for trademarks acquisitions	-	-	1,500,000	3,300,000
Exercise of common share purchase warrants	812,500	2,031,250	187,500	468,750
Exercise of convertible debenture	-	-	303,030	500,000
Consideration for purchase of assets	-	-	200,000	472,000
Share issue costs	-	(50,000)	-	(525,951)
Shares issued under stock option plans:				
Directors	-	-	69,321	103,288
Officers and employees	13,800	16,146	14,600	18,776
Debtholder	-	-	285,714	500,000
Shares issued under employee stock purchase plan	26,550	51,118	6,250	9,750
Issued, end of year	11,488,280	\$ 18,910,160	10,635,430	\$ 16,861,646

On June 10, 1997, the company issued 2,000,000 special warrants and 1,000,000 common share purchase warrants at a price of \$2.00 per special warrant. The common share purchase warrants were exercisable to purchase one common share at a price of \$2.50 per common share expiring March 23, 1998. On June 11, 1997, the special warrants were exercised on a one-for-one basis into 2,000,000 common shares of the company. The gross proceeds of the special warrant offering to the company were \$4,000,000 less the expenses of issuance which were \$523,555. On March 23, 1998, the remaining 812,500 common share purchase warrants were exercised at a price of \$2.50 per share for an aggregate price of \$2,031,250 less the expenses of issuance which were \$50,000.

Years ended January 31, 1999 and 1998

8. Share capital (continued):

(b) Stock option plan and warrants:

The company has issued stock options to certain directors, officers and key employees. The options may be exercised during periods of up to ten years following the date of issue, at a discount of up to 15% from the average closing market price during the two to five days immediately preceding the date granted.

At the year-end, directors, officers and employees held unexercised options to purchase a total of 547,116 common shares. These options and warrants expire as follows:

	Expiry date	Share options	Exercise price
Directors	2001	93,600	1.17
	2003	135,000	2.89
Officers and employees	2000	25,263	1.79
	2001	13,253	1.17
	2001	200,000	1.36
	2003	80,000	2.89
Total options outstanding		547,116	

(c) Employee stock purchase plan:

Employees are eligible to purchase an allotted number of common shares at a discount of 10% from the average closing market price during the five days immediately preceding the date of January 15, 1999.

At the year end, employees were entitled to 9,750 shares at \$2.66. Subsequent to year end, these shares were issued.

Years ended January 31, 1999 and 1998

9. Commitment:

The company has committed to payments under an operating lease for warehouse space to December 1999 with approximate annual costs of \$104,500 in fiscal 2000.

10. Reorganization costs:

During the year, the company underwent significant reorganization. The related costs consist of the following:

- (a) The restructuring and refocusing of sales effort in brands, markets, and personnel of \$597,367
- (b) The establishment of new marketing networks of \$558,333; and
- (c) The consolidation of bottleshop operations to the Formosa location and outsourcing of distribution of \$195,108.

11. Income taxes:

On a cumulative basis, the company has losses of \$1,664,000 available to reduce taxable income in future years. These losses will expire as follows if unapplied:

2003	\$	303,000
2004		150,000
2006		1,211,000

In addition, the company has timing differences of approximately \$5,338,000 that are available to reduce taxable income in the future. Neither of these amounts have been recognized for accounting purposes.

12. Related party transactions:

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

- (a) During the year, manufacturing equipment and services amounting to approximately \$1,883,000 (1998 - \$187,000) were purchased from a company holding less than 20% of the issued and outstanding common shares of the company.
- (b) During the year, rental charges and services amounting to approximately \$172,000 (1998 - \$88,000) were made to companies controlled by members of the Board of Directors.

Years ended January 31, 1999 and 1998

13. Financial instruments:

The fair value of the company's accounts receivable, bank indebtedness, trade accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term maturity of these instruments.

The maximum credit risk, being the risk of default on accounts receivable, is \$950,483 (1998 - \$1,171,219) which represents the current carrying value. Brewers Retail and L.C.B.O. are the largest customers with receivables totalling \$337,005 at January 31, 1999.

The fair value of the company's debt approximates its carrying value as interest rates are at market rates, with the exception of the interest-free term loan, which has a present value of \$440,000.

14. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect a company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Directors

James R. A. Brickman

Waterloo, Ontario
President and C.E.O., Brick Brewing Co. Limited

Ronald L. Fowler

San Diego, California
Chairman and C.E.O., Liquid Investments Inc.

Thomas W. Gilchrist

Toronto, Ontario
President, T. W. Gilchrist Vending Ltd.

J. Howard Hawke

Toronto, Ontario
Chairman, Board of Directors

Donald B. Kopas

Toronto, Ontario
Chairman and C.E.O., Kopas & Burritt Financial Agents Ltd.

Scott E. McNabb

Waterloo, Ontario
Investment Vice-President, Corporate Loans, The Mutual Life Assurance Company of Canada

Paul G. Morton

Toronto, Ontario
President, Security Investments Corporation Ltd.

W. Scott Uffelman

Waterloo, Ontario
President, Ontario Seed Company Limited

Officers of the Corporation

James R. A. Brickman

President/C.E.O.

Jeff Botham

Vice President Finance/Secretary

Michael A. Ostner

Vice President Operations

Transfer Agent For The Corporation

Montreal Trust Company of Canada

Toronto, Ontario



Brick Brewing Co. Limited

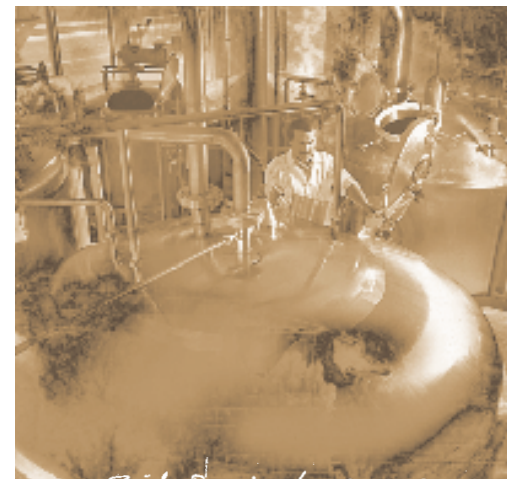


The Discovery Never Ends

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