

# Brick Brewing Co. Limited Annual Information Form

For The Year Ended  
January 31, 2000

June 8, 2000

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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 craft brewery of its kind to start up in Eastern Canada in recent decades, and is credited as being one of the pioneers of the present craft 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.

Brick's primary production facility is located in Formosa Ontario where beer is brewed and packaged in bottles and kegs on a year round basis. In the new fiscal year, the Waterloo facility will be dedicated to brewing only to provide additional brewing capacity for Formosa during peak selling periods or as required through the year.

The Company markets its beer brands in Ontario through the facilities of Brewer Retail Outlets, LCBO Stores and licensed establishments. In addition, the Company has an exclusive Sales Agency agreement with Molson Breweries for the marketing and sales of our Algonquin brands of beer in Ontario.

The Company brews and packages Old Vienna in 6.5 ounce bottles, on behalf of Molson Breweries for distribution in the United States by the Miller Brewing Company.

The Company has approximately 90 employees. The Brewery's administrative and sales offices are located at 181 King St. South, Waterloo, Ontario. The Brewery operates brewing facilities and an on-site retail beer stores 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, which, is approximately 165 years old and totals approximately 30,000 square feet. An additional 55,000 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 owns the Formosa production facility that includes over 25,000 square feet of production and office space. The Company also leases an additional 12,000 square feet of storage in Hanover, Ontario.

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

During this period Brick has increased its sales revenue by more than 137 %, from \$10.2 million in fiscal 1996 to \$24.2 million for fiscal 2000. Volume increased by 125% from 43,500 hectolitres in fiscal 1996 to 98,000 hectolitres in fiscal 2000. During this same period the Ontario beer industry volume remained flat. Our increase in sales revenue and volume was achieved through the growing popularity for quality craft brewed beer, gold medals awarded for quality at international competitions, the introduction of additional brands, the acquisition of other craft brewing operations in Ontario, a sales force focus on selling draught to licensed establishments, a sales Agent agreement with Molson for our Algonquin brands, and a contract brewing and packaging agreement for the Molson Breweries OV 6.5 ounce bottles for distribution in the U.S.A.

To support the increased sales volume, primarily through equity and term debt, the Company has purchased over \$11 million of fixed assets during the past five years to reduce production costs through automation and increase production capacity to 220,000 hectolitres per year.

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. As of January 31, 1997, all non-standard bottles and costs related to the conversion to the industry standard bottle were 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. These trademarks have significant value in the marketing of these products.

The company produces both bottled beer and draught in kegs with the ratio during the past five years being - bottled 61%, kegged 39% in fiscal 2000 and bottled 48%, kegged 52% during fiscal 1996. Sales are seasonal, due to increased consumption during the summer months, with approximate sales revenue percentages by fiscal quarter of 25%, 32%, 23% and 20%.

The Company's main customer and source of distribution is Brewers' Retail. The Brewers' Retail Outlets, which sell primarily to the home consumer, accounted for 66% in fiscal 2000 and 63% in fiscal 1996 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, cleaning chemicals 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 large Brewers have also introduced discount brands resulting in abnormal growth in this segment

The Company operates in a competitive industry. Due to changing lifestyles, consumer tastes and habits, total beer consumption in the Ontario market has declined in recent years and the trend is expected to continue. Increased competition for market share has resulted in additional domestic and imported brands being introduced. In addition, there has been increased activity by the large Brewer in 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. In April 1997, the Company purchased the property, plant, equipment, trademarks and other rights of The Northern Algonquin Brewing company Limited Partnership. In May 1997 the company purchased the rights and interest in the Laker family of brands for Canada from Molson Breweries. As part of the transaction, Molson was issued 1,500,000 common shares of the company, which provides Molson Breweries with as of the purchase date, approximately 19%, of the outstanding common shares of the company.

The outlook for fiscal 2001 and beyond is positive. The capacity expansion of the brewery in Formosa has been completed and we are now in a position to handle the additional volume resulting from the acquisitions, the planned growth of the Brick family of brands and the selective introduction of other brands to the market. The Company looks forward to generating profitability and cash to strengthen its financial position and enable the company to begin utilizing the \$9.7 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,**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
	(in thousands of dollars except per share amounts)				
Sales	24,191	\$22,066	\$19,923	\$10,195	\$10,181
Net earnings (loss)	(2,769)	(2,188)	694	(722)	(854)
Earnings (loss) per share					
Basic	(.24)	(.19)	.08	(.14)	(.18)
Fully diluted	n/a	(.19)	.06	(.14)	(.18)

#### **Year Ended January 31,**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Total Assets	19,783	\$19,790	\$19,835	\$6,528	\$4,546
Total Long Term Debt	5,243	4,068	5,794	1,617	1,762

## Summary of Quarterly Results

	2000				1999			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
	(in thousands of dollars except per share amounts)							
Sales	\$6033	\$7181	\$5458	\$4919	\$5360	\$6177	\$6016	\$4513
Net earnings (loss)	(31)	(420)	(1024)	(2196)	(14)	(189)	(114)	(2277)
Earnings (loss) per share								
Basic and fully diluted	(.00)	(.04)	(.09)	(.19)	(.00)	(.02)	(.01)	(.20)

### 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. Lenders' loan covenants, if not in default, limit annual dividend payments to 50% of net earnings.

## 4. Management's Discussion and Analysis

The Management Discussion and Analysis appears on pages 6 and 7 of the company's 2000 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:

James R.A. Brickman Waterloo, Ontario	President, CEO, Director	President, Brick Brewing Co. Limited	February 1984
William G. Bourne Toronto, Ontario	Officer Director	Chief Operation Officer, Brick Brewing Co. Limited	May 1999
Ron L. Fowler San Diego, California	Director	President and Chief Executive Officer, Liquid Investments Inc.	September 1996

Thomas W. Gilchrist Toronto, Ontario	Director	President, T.W.Gilchrist Vending Ltd.	July 1984
Walter T. Hogg Avoca, Ireland	Director	Consultant	July 1999
W. Scott Uffelman Waterloo, Ontario	Director	President, Ontario Seed Company Limited	July 1984
Peter N. T. Widdrington London, Ontario	Director	Chairman of the Board, Laidlaw Inc.	July 1999
Jeffrey Botham Cambridge, Ontario	Officer	V.P. Finance and Secretary, Brick Brewing Co. Limited	June 1998
Michael A. Ostner Waterloo, Ontario	Officer	Vice President of Operations, Brick Brewing Co. Limited	May 1995
David P. Ryan Kitchener, Ontario	Officer	Vice President of Sales, Brick Brewing Co. Limited	April 1999

During the past five years, 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.

Three new directors were elected to the board in July 1999.

William G. Bourne

Mr. Bourne's primary responsibilities are to oversee the day to day operations of the Company.

In his 33 years in senior Domestic and International marketing and management positions with major Canadian Breweries, Bill has continually demonstrated a proven record of achievement in corporate and business/marketing planning and the implementation of current and innovative business and marketing initiatives.

Walter T. Hogg

Mr. Hogg, a seasoned brewing industry veteran, brings 34 years of operations and management experience with Molson Breweries to his assignment. Mr. Hogg progressed through a series of increasingly important roles with Molson Breweries, most recently that of Senior Vice President, Operations Strategy and Development and International Sales.

Mr. Hogg is a member of the Master Brewers Association of the Americas, a Registered Professional Engineer and was until recently Director, Canadian Labour Market and Productivity Board.

Peter N. F. Widdrington

Mr. Widdrington is the Chairman of the Board of Laidlaw Inc., Chairman of the Board of Talisman Energy Inc. and is a Director of Canadian Imperial Bank of Commerce, CBC Resources Ltd., Radiology Corporation Of America Inc., and SNC Lavalin Group Inc.

Mr. Widdrington attended Queens University (B.A. Econ.) and the Harvard Business School (M.B.A.) and also has an Honorary Doctor of Laws Degree from the University of Western Ontario.

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

The company established an Executive Committee in 1999 and the members are Mr. Brickman, Mr. Bourne and Mr. Fowler.

The members of the Audit Committee are Mr. Fowler, Mr. Gilchrist and Mr. Uffelman.

As of the date of this report the directors and senior officers as a group beneficially owned, directly or indirectly 28% 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, 2000 and 1999. The Company's management information circular, for its most recent annual meeting of shareholders which involved the election of directors, contain additional information relating to directors' 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 Corporation.