

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

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 White from Celis Brewery of Austin, Texas. At present all products are sold in key Ontario markets through The Beer Store Outlets, LCBO Stores and Licensed establishments.

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

DEAR SHAREHOLDER

The Company began the past fiscal year recognizing that many fundamental changes in the way we do business needed to be addressed and implemented effectively if we are to succeed as a specialty premium beer company. I am pleased to report that several of the strategic and operational initiatives carried out have showed positive effects during the year, while others would become more evident over time. What we have learned over the years is that the business dynamics of the industry remain constant, that is, the current competitive environment will always remain intensive, that weather will never be predictable, and that cost effective management and improved operating efficiencies is an ongoing exercise.

To better position the Company to seek future sustainable profits, we focused on the elements of our business that posed the greatest opportunities and pulled back from those that did not. Effectively this meant that we had to become smaller before we could begin to grow the business again.

We believed and continue to believe that our Brick identified portfolio of premium brands, (Brick Premium, Brick Amber Dry, Waterloo Dark and Red Baron) are well positioned to give us the greatest opportunity. During the course of the year, we supported these brands with our first focused radio ad campaign, with promising results in a highly competitive market. I am pleased to say that our momentum on the majority of these brands has continued into this new fiscal year. Plans to increase our marketing spent in support of building our Brick core brand name products will be ongoing as we continue to build on this growing base.

With our emphasis on improving the contribution of our higher margin products, volumes in lower margin products were either dropped, phased out or not aggressively promoted. Thus, this year's lower sales volume of \$20.8 million as compared to \$24.1 million in our previous fiscal year is more a direct result of reduced volumes from planned brand/pack discontinuations, substantially reduced shipments of our lower margin Laker brands and withdrawing from some of the draft trade business that proved unprofitable and

non-brand building. In addition to the effects of these initiatives, beer industry volumes in general suffered from unfavourable weather last summer.

Operating income before interest and amortization was \$484,000 as compared to an operating loss of \$1.2 million over the same period last year. We believe that this demonstrates that, although we had lower sales volumes, our continued move into the premium priced segment is beginning to show its positive effects. In addition, the premium priced segments is beginning to represent a greater percentage of our total sales. Cost management initiatives in operations, sales and marketing infrastructures are now more in line with these planned volumes. I am pleased to report that as a result of our past investment spending on our brewing and packaging facilities, the Formosa and Waterloo operations are yielding improved efficiencies and are well equipped and staffed for higher future production.

We view the past year's results as promising, having made a significant improvement over the previous year, but we do realize that this is just a start towards achieving sustainable profitability on an ongoing basis. The signs and trends are positive and the initiatives taken during the year are beginning to show.

This has not come about without the determination of our employees and the strength of their commitment to implement our aggressive plan. I gratefully acknowledge their loyalty and ongoing contribution during this important transition period.

A special thanks goes to Bill Bourne who retired this year as COO and as a Board member to pursue family interests. Bill has been and continues to be a good friend and advisor.

We are excited about the opportunities that face Brick in the coming year and we expect to meet the performance goals we have set for ourselves. With many new initiatives in place, coupled with the addition of experienced senior management to help implement them, I believe Brick is in a good position to perform for its shareholders.

To a great summer for all.
Cheers!



James R.A. Brickman
President and CEO
May 8, 2001

Managements Discussion & Analysis

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 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.

Brick's primary packaging facility is located in Formosa, Ontario where beer is packaged in bottles and kegs and the Waterloo facility is the primary brewing facility. Subsequent to year end all the keg packaging has been moved to the Waterloo facility in order to improve our efficiency.

The Company markets its beer brands in Ontario through the facilities of The Beer Store Outlets, Liquor Control Board of Ontario (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 in Ontario. The Company also produces Old Vienna in 6.5 ounce bottles for Molson under a packaging agreement.

The Company's main customer and source of distribution is The Beer Store. The Beer Store Outlets, which sell primarily to the home consumer, accounted for about 70% of the Company's beer business in both fiscal 2001 and fiscal 2000.

Results of Operations

Earnings before interest and amortization costs for the year ended January 31, 2001 were \$484,000 versus a loss of \$1,224,000 (included reorganization costs of \$856,000) for the prior year. Interest expense for the year increased by \$63,000.

Brick Brewing Co. Limited recorded a net loss of \$1,231,000 for the financial year ended January 31, 2001 compared to a net loss of \$2,769,000 for the year ended January 31, 2000. In fiscal 2000 the Company underwent significant re-organization which costs are reflected in these numbers and outlined in the accompanying notes.

Sales for the year ended January 31, 2001 were \$20,805,000 a decrease of 14% over the previous year's sales of \$24,191,000.

During the year Brick continued its program of re-configuring, upgrading and refining the two facilities. This has resulted in a more productive and efficient brewing and packaging operation. Further brand rationalization and reduced "SKU" configurations will enhance bottle line efficiencies and inventory management. Future ongoing programs will be considerably

less capital intensive in the fiscal years ahead as we realize the benefits of previous years' investment spending.

A significant sales force rationalization program was completed this year. The Company is pulling back from some of the draft business that was not profitable and reducing our sales infrastructure in areas where we were ineffective. Sales force activity will be concentrated in the key urban areas in Southwestern Ontario. This focus will allow us to expand distribution and sales in these regions to a level in keeping with the high profile presence we have in our home market.

With overall beer industry volume in Ontario down due to poor weather, the Brick sales volume was down to 84,300 hectoliters in the year ended January 31, 2001 compared to 98,000 hectoliters during the previous year. The reduced volume was due to a number of factors, including but not limited to the discontinuation of some brands, a pull back from unprofitable markets and less emphasis on our Laker "Value" priced brands, with primary distribution through the LCBO.

Gross margin in the year ending January 31, 2001, was down \$215,000 in absolute terms, but as a percent of sales it was up 2% to 21% from 19% the prior year.

Selling, marketing and administration expenses decreased from \$4,950,000 the previous year to \$3,882,000 for the year ended January 31, 2001 due primarily to the reduced sales infrastructure.

Liquidity and Capital Resources

The Company generated \$1,336,000 in cash from operating activities for the year ended January 31, 2001. This is an improvement of \$2,176,000 over last year. In addition, \$506,000 in cash was generated during the year from the issue of common shares. The combination of this cash was used to reduce long term bank indebtedness by \$726,000, reduce short term indebtedness by \$653,000 and purchase capital assets of \$462,000 (This is net of disposals of \$163,000.)

The financial position of the Company as of January 31, 2001 reflects a working capital deficit of \$3,698,000 compared to a deficit of \$2,951,000 in fiscal 2000. Bank indebtedness was \$1,752,000 in fiscal 2001, a decrease from last year's indebtedness of \$2,405,000.

Total assets of the Company decreased to \$18,559,000 compared to \$19,783,000 the previous year. The Company has approximately \$10,880,000 in income tax loss carry-forwards and temporary differences available to reduce income tax expense in future years. This compares to \$9,651,000 the previous year. Total liabilities decreased by \$500,000 to \$10,082,000 as of January 31, 2001 compared to \$10,582,000 for the fiscal year ended January 31, 2000.

Shareholders' equity as of January 31, 2001 was \$8,476,000 down from \$9,201,000 the previous year, a decline of \$725,000.

The net cash used to fund plant and equipment expenditures was \$462,000 during the year ended January 31, 2001 compared to \$1,251,000 for the year ended January 31, 2000. These expenditures relate primarily to the purchase of equipment required to further update brewing and bottling operations. Our current annual beer production capacity is 220,000 hectoliters, sufficient to meet planned volume initiatives from increased market penetration, additional volume growth from previous brand acquisitions, and new volume opportunities.

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 2001 was operating outside the terms of certain term loan covenant ratios which were waived by the lender.

Risk Factors, Strategies and Outlook

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. There has been increased activity by the large Brewers in the premium beer sector, which is the primary growth sector. Alcohol based ready to drink coolers are also becoming a competitive factor.

Raw materials, which are subject to commodity pricing fluctuations, represent a large portion of the overall production costs. The Company has been successful in negotiation 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 small 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 continue to work with both Federal and Provincial Governments in an effort to maintain and improve the existing tax structure and policies for operations with smaller economies of scale.

The Beer Store and LCBO stores combined to distribute approximately 82% of the Company's beer sales during fiscal 2001 and any material change in The Beer Store or LCBO policies, rates or a disruption of service could have a material adverse effect on the Company.

The outlook for fiscal 2002 and beyond is positive. Improved operating efficiencies of the Brewery in Formosa have been completed and we are now in a position to handle additional volume resulting from the planned growth of the Brick family of brands, the selective introduction of other brands to the market and co-packing opportunities. The Company looks forward to generating profitability and cash to strengthen its financial position and enable the Company to begin utilizing the \$3.8 million income tax loss carry-forward and timing differences which are available to reduce income tax expense.

**The Company's objectives
for the coming year will be:**

- To maintain the Company's commitment and reputation for the brewing of high quality all natural beer.
- To focus our efforts on a select portfolio of Brick identified premium priced brands, specifically Brick Premium Lager, Brick Amber Dry, Waterloo Dark and Red Baron.
- To continue to target our marketing/sales efforts more productively and initiate a selective advertising program in the Toronto and Southwestern Ontario markets to re-enforce and broaden the awareness of our key brands.
- To utilize our Waterloo and Formosa brewing operations in the most cost effective manner.

Financial Statements of Brick Brewing Co Limited
Years ended January 31, 2001 and 2000

**AUDITORS' REPORT TO THE
SHAREHOLDERS**

We have audited the balance sheets of Brick Brewing Co. Limited as at January 31, 2001 and 2000 and the statements of earnings and deficit and cash flows 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 Canadian 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP


Chartered Accountants
Waterloo, Canada
March 26, 2001

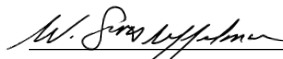
January 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Accounts receivable	\$ 878,158	\$ 1,076,364
Inventories (note 2)	2,061,108	2,341,585
Prepaid expenses	54,597	45,944
Total current assets	2,993,863	3,463,893
Capital assets (note 3)	9,917,449	10,298,446
Trademarks and other deferred costs (note 4)	5,647,221	6,020,287
	\$ 18,558,533	\$ 19,782,626
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 5)	\$ 1,751,701	\$ 2,404,974
Trade accounts payable and accrued liabilities	2,286,346	2,488,812
Sales and other taxes payable	1,527,802	444,931
Current portion of long-term debt (note 6)	1,126,456	1,076,456
Total current liabilities	6,692,305	6,415,173
Long-term debt (note 6)	3,390,128	4,166,584
Shareholders' equity:		
Share capital (note 7)	19,464,773	18,958,988
Deficit	(10,988,673)	(9,758,119)
Total shareholders' equity	8,476,100	9,200,869
Commitments (note 13)		
Contingent liability (note 14)		
	\$ 18,558,533	\$ 19,782,626

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director
 James R. A. Brickman


 _____ Director
 W. Scott Uffelman

Years ended January 31, 2001 and 2000

	2001	2000
Sales	\$ 20,804,604	\$ 24,190,987
Cost of goods sold:		
Materials, labour, overhead and distribution	10,730,099	12,045,067
Production taxes	5,708,376	7,564,333
	16,438,475	19,609,400
Gross margin	4,366,129	4,581,587
Expenses:		
Selling, marketing and administration	3,882,416	4,949,590
Reorganization costs (note 9)	-	856,305
	3,882,416	5,805,895
Earnings (loss) before the undernoted	483,713	(1,224,308)
Other expenses:		
Amortization	1,216,129	1,109,691
Interest on long-term debt	362,707	301,055
Other interest	135,431	133,592
	1,714,267	1,544,338
Loss for the year	(1,230,554)	(2,768,646)
Deficit, beginning of year	(9,758,119)	(6,989,473)
Deficit, end of year	\$ (10,988,673)	\$ (9,758,119)
Net loss per share:		
Basic	\$ (0.10)	\$ (0.24)

See accompanying notes to financial statements.

Years ended January 31, 2001 and 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (1,230,554)	\$ (2,768,646)
Items not involving cash:		
Amortization	1,216,129	1,109,691
Gain on disposal of capital assets	(458)	-
Change in non-cash operating working capital:	1,350,434	818,868
	1,335,551	(840,087)
Financing:		
Increase (decrease) in bank indebtedness	(653,272)	872,936
Increase (decrease) in long-term debt	(726,456)	1,175,112
Proceeds on common shares issued, net	505,785	48,828
	(873,943)	2,096,876
Investments:		
Acquisition of capital assets	(624,448)	(1,250,789)
Proceeds on disposal of property, plant and equipment	162,840	-
Additions to trademarks and other deferred costs	-	(6,000)
	(461,608)	(1,256,789)
Increase in cash being cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

Years ended January 31, 2001 and 2000

Company biography:

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 The Beer Store system, the Liquor Control Board of Ontario and to Licensed establishments.

1. Significant accounting policies:

(a) Basis of presentation:

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 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 6) 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.

Years ended January 31, 2001 and 2000

1. Significant accounting policies (continued):

(c) Income taxes:

In December 1997, the Canadian Institute of Chartered Accountants issued Handbook Section 3465, Income Taxes. The standard requires a change from the deferred method of accounting for income taxes under Handbook Section 3470, Corporate Income Taxes, to the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

The company has adopted the new income tax accounting standard retroactively, without restating the financial statements of any prior periods.

The adoption of Section 3465 had no impact on the recorded amounts of assets and liabilities at February 1, 2000. There was no effect on current year's earnings as a result of the change.

(d) 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	30%

Years ended January 31, 2001 and 2000

1. Significant accounting policies (continued):

- (e) 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.

- (f) Net loss per share:

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

- (g) Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with Canadian 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. Inventories:

	2001	2000
Promotional inventory	\$ 208,770	\$ 294,746
Returnable containers	804,271	802,141
Raw materials and supplies	684,441	713,458
Work-in-process and finished goods	363,626	531,240
	<hr/>	<hr/>
	\$ 2,061,108	\$ 2,341,585

Years ended January 31, 2001 and 2000

3. Capital assets:

			2001	2000
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 275,000	\$ -	\$ 275,000	\$ 275,000
Building	2,493,990	763,579	1,730,411	1,690,161
Storage tanks	1,074,030	439,065	634,965	664,284
Equipment	11,406,233	4,236,059	7,170,174	7,511,577
Computer equipment	402,803	299,771	103,032	157,424
Vehicles	184,415	180,548	3,867	-
	\$ 15,836,471	\$ 5,919,022	\$ 9,917,449	\$ 10,298,446

Amortization of capital assets was \$843,063 (2000 - \$722,795).

4. Trademarks and other deferred costs:

	2001	2000
Trademarks	\$ 4,686,220	\$ 4,907,179
Other deferred costs	961,001	1,113,108
	\$ 5,647,221	\$ 6,020,287

Amortization of trademarks and other deferred costs was \$373,066 (2000 - \$386,896).

5. Bank indebtedness:

- (i) The Company has a bank operating line of credit with interest at prime plus .25%. The bank operating loan and demand 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.
- (ii) At January 31, 2000 the Company had a demand loan payable to the bank with interest at prime plus 3%. This demand loan was repaid during the year.

Years ended January 31, 2001 and 2000

6. Long-term debt:

	2001	2000
Term loan, prime plus .75% monthly, principal payments of \$60,538 plus interest, due June 2007	\$ 4,116,584	\$ 4,843,040
Term loan, unsecured, no interest payable, due June 2001	400,000	400,000
	4,516,584	5,243,040
Current portion of long-term debt	1,126,456	1,076,456
	\$ 3,390,128	\$ 4,166,584

The interest-bearing term loan and bank indebtedness 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:

2002	\$1,126,456
2003	727,000
2004	727,000
2005	727,000
2006	727,000
Thereafter	482,128
	\$ 4,516,584

At January 31, 2001, the Company was not in compliance with certain financial covenants as required by the bank. Subsequent to year end, the bank has provided a waiver of the breaches.

Years ended January 31, 2001 and 2000

7. Share capital:

(a) The Company has authorized an unlimited number of preferred shares. No preferred shares are issued.

The Company has authorized an unlimited number of common shares.

Common share transactions are summarized as follows:

	Number of shares 2001	Stated value 2001	Number of shares 2000	Stated value 2000
Issued, beginning of year	11,518,930	\$ 18,958,988	11,488,280	\$ 18,910,160
Private placement	650,000	403,000	-	-
Shares issued under stock options plans:				
Directors and officers	97,500	69,225	18,400	21,528
Shares issued under				
Employee stock purchase plan	34,250	33,560	12,250	27,300
Issued, end of year	12,300,680	\$ 19,464,773	11,518,930	\$ 18,958,988

On November 17, 2000, 97,500 stock options were exercised for cash consideration of \$69,225. In addition, during the year 34,250 shares were issued under an employee stock purchase plan for cash consideration of \$33,560.

Directors of the Company purchased 650,000 shares through a private placement for cash consideration of \$403,000. These shares were purchased at a discount compared to market prices at the time of the transaction.

Years ended January 31, 2001 and 2000

7. 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.

(i) A summary of the status of the Company's plans as at January 31, 2001 and 2000 is presented below:

	Options	2001 weighted average exercise price \$	Options	2000 weighted average exercise price \$
Outstanding, beginning of year	448,453	1.86	562,116	1.96
Granted	550,000	0.68	-	-
Exercised	(97,500)	0.71	(18,400)	1.17
Forfeited	(370,953)	1.17	(95,263)	2.60
Outstanding, end of year	530,000	1.33	448,453	1.86

(ii) Summary of options outstanding under the plan is presented below:

Exercise price \$	Number outstanding as of January 31, 2001	Weighted average remaining contractual life	Number exercisable at January 31, 2001
0.45	60,000	4.99 years	60,000
0.71	310,000	4.25 years	310,000
2.51	10,000	1.99 years	10,000
2.89	150,000	1.99 years	150,000
0.45 to 2.89	530,000	3.30 years	530,000

Years ended January 31, 2001 and 2000

7. Share capital (continued):

(c) Employee stock purchase plan:

Employees were 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, 2001.

8. Segment information:

Management has determined that the Company operates in a single industry segment which involves the brewing and sale of beers. All of the Company's operations, assets, sales revenue and employees are in Ontario, Canada.

9. Reorganization costs:

During 2000, the Company underwent significant reorganization which commenced in 1999. Reorganization costs, related to operations, selling and marketing, consist of the following in 2000:

- the rationalization of brand portfolio and packaging sku's of \$430,077;
- the write-off of deferred marketing and brand development costs for discontinued brands of \$212,963;
- the reduction and reorganization of the selling infrastructure of \$123,265; and,
- the consolidation of kegging operations to the Formosa location of \$90,000.

At January 31, 2000 accounts payable and accrued liabilities contained \$198,700 of the reorganization costs.

Years ended January 31, 2001 and 2000

10. Income taxes:

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rate of 44.6% to the loss before income taxes. The reasons for the differences are as follows:

	2001	2000
Computed tax recovery	\$ 548,827	\$ 1,234,816
Decrease in tax recovery resulting from:		
Non-deductible amortization of trademarks	(24,826)	(26,435)
Other non-deductible expenses	(28,449)	(41,847)
Losses for which the tax benefit is not recognized	(495,552)	(1,166,534)
	\$ -	\$ -

Tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2001 and 2000 are presented below:

	2001	2000
Future tax assets:		
Differences between tax and accounting values of capital assets	\$ 2,073,075	\$ 1,863,913
Differences between tax and accounting values of trademarks and other deferred costs	323,693	224,865
Financing fees not deducted for tax	51,177	128,423
Non-capital loss carryforwards	1,316,523	1,220,049
Total gross net future income tax assets	3,764,468	3,437,250
Less valuation allowance	(3,764,468)	(3,437,250)
Net future income tax assets	\$ -	\$ -

On a cumulative basis, the Company has losses of \$3,860,000 available to reduce taxable income in future years. These losses will expire as follows if unapplied:

2003	\$ 294,000
2004	150,000
2006	1,186,000
2007	1,797,000
2008	433,000

Years ended January 31, 2001 and 2000

11. 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 \$878,158 (2000 - \$1,076,364) which represents the current carrying value. The Beer Store and L.C.B.O. are the largest customers with receivables totalling approximately \$429,000 at January 31, 2001 (2000 - \$368,000).

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 \$400,000 (2000 - \$397,000).

12. Supplemental cash flow information:

	2001	2000
Cash paid for interest	\$ 498,138	\$ 434,647

13. Commitments:

The Company is committed under long-term operating leases to rent equipment and premises until November 1, 2005 at the following annual rates:

2002	\$ 292,200
2003	45,400
2004	33,600
2005	19,600
2006	10,500
	<u>\$ 401,300</u>

14. Contingent liability:

Letters of guarantee are outstanding for a total of \$240,000 in favour of the Bank of Montreal.

15. 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 \$923,174 (2000 - \$1,539,331) 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 \$197,500 (2000 - \$155,951) were made to companies controlled by members of the Board of Directors.

16. Comparative figures:

Certain of the 2000 comparative figures in the statement of cash flows have been reclassified to conform with the financial presentation adopted in 2001.

DIRECTORS

James R. A. Brickman

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

William G. Bourne

Toronto, Ontario
Chief Operating Officer, Brick Brewing Co. Limited
(Retired November 2000)

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.

Walter T. Hogg

Avoca, Ireland
Consultant

W. Scott Uffelman

Waterloo, Ontario
President, Ontario Seed Company Limited

Peter N. T. Widdrington

London, Ontario
Chairman of the Board, Laidlaw Inc.

OFFICERS OF THE CORPORATION

James R. A. Brickman

President/C.E.O.

William G. Bourne

Chief Operating Officer
(Retired November 2000)

Thomas M. Millen

Vice President Finance/Administration

Michael A. Ostner

Vice President Operations

David P. Ryan

Vice President Sales

Gzime Graffi

Corporate Secretary

Computershare Investor Service

Transfer Agent for the Corporation
Toronto, Ontario

