

# Brick Brewing Co. Limited Annual Information Form

For The Year Ended  
January 31, 2002

May 9, 2002

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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
- Sept. 29, 1986 - change in the number of directors and authorized unlimited number of common shares
- Sept. 30, 1986 - changes in authorized share capital classes
- Oct. 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 Andechs of Kloster Andechs Monastery of Bavaria, Germany.

Brick's primary brewing and kegging facility is located in Waterloo. The bottling and packaging facility is located in Formosa, Ontario.

The Company markets its beer brands in Ontario through the facilities of The Beer Store Outlets, LCBO Stores and licensed establishments. In addition, the Company has an exclusive Manufacturing agreement with Molson Breweries for the production of the 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 and Brick also co-packs Mike's Hard Lemonade portfolio for the Eastern United States.

The Company has approximately 120 employees. The Brewery's administrative and sales offices are located at 181 King St. South, Waterloo, Ontario. The Brewery operates an on-site retail beer store in Waterloo 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 130 years old and totals approximately 35,000 square feet. An additional 55,000 square feet of nearby warehousing and distribution facilities in Kitchener are leased. The Company also leases a sales office in Toronto, Ontario. The Company owns the Formosa production facility that includes over 35,000 square feet of production and office space on 9.2 acres of land with an option to purchase an additional 8.5 acres adjacent to the property. The property sits on top of a large natural spring aquifer.

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

During this 5 year period Brick sales revenue has remained flat and this is consistent with the Ontario beer industry where volume has remained flat or in slight decline. We have maintained our sales revenue and volume through the growing popularity for quality craft brewed beer, gold medals awarded for quality at international competitions, the introduction of additional brands and the acquisition of other craft brewing operations in Ontario.

The Company has purchased over \$8 million of fixed assets during the past five years. Combined production capacity is 220,000 hectoliters per year or approximately 2.7 million cases per year.

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 last year being - bottled 62%, kegged 38%. Sales can be seasonal, with increased consumption during the summer months. Approximate sales revenue percentages by fiscal quarter in the past have averaged by 20%, 30%, 30% and 20%.

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 52% in fiscal 2002 compared to 67% in fiscal 1999 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 sanitizers and recyclable packaging materials. All of the materials are readily available from various suppliers within the area. Costs can be subject to commodity pricing fluctuations such as malt and 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 and sanitizing which are food grade approved and present no environmental concerns.

The Company operates in a very 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 and heavily promoted. In addition, there has been increased activity by the larger Brewers in the premium beer sector which is experiencing most of the growth potential. The fast growing ready to drink alcoholic beverage segment has made its impact on consumer choice as well.

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 January 1997, the Company purchased the Don Valley Brewing Company Limited, operating as Connors Brewery, along with the trademarks and other rights owned by Connors Brewery for all its line of premium crafted beers. In April 1997, the Company purchased the property, plant, equipment, trademarks and other rights of The Northern Algonquin Brewing Company Limited Partnership in Formosa. In May 1997 the company purchased the rights and interest in the Laker family of popular priced brands for Canada from Molson Breweries. As part of the transaction, Molson purchased 1,500,000 common shares of the company, which provides Molson Breweries as of fiscal 2002, with an equity stake of approximately 12%, of the outstanding common shares of the company.

The Company sold the Algonquin trade mark to Molson in July, 2001 and entered into a production and distribution agreement with Molson Canada whereby Brick Brewing Co. Limited would continue to produce and distribute the Algonquin beer brands. The proceeds of the sale were used to reduce current obligations and long-term debt.

Through a private placement, 650,000 common shares were issued in April, 2000 to fund certain capital expenditures.

The outlook for fiscal 2003 and beyond is positive. The capacity expansion of the brewery in Formosa has been completed and we are now in a position to handle improved production capabilities and the additional

volume we expect from the planned growth of the Brick family of brands and the selective introduction of other brands to the market as we see fit. In the short term the company has provided for additional co-packing opportunities where excess capacity exists in the interim. The Company looks forward to generating profitability and cash to strengthen its financial position and enable the company to begin utilizing the \$8.6 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>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	(in thousands of dollars except per share amounts)				
Sales	\$19,294	\$20,805	\$24,191	\$22,066	\$19,1923
Net earnings (Loss)	* \$2,291	(1,231)	(2,769)	(2,188)	694
Earnings (loss) per Share					
Basic	\$0.19	(.10)	(.24)	(.19)	.08
Fully diluted	\$0.18	n/a	n/a	(.19)	.08

\* Includes a one time gain on the sale of the Algonquin trade mark of \$2,187.

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

	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>2001</b>
Total Assets	\$18,069	\$18,559	\$19,783	\$19,790	\$19,835
Total Long Term Debt	\$2,452	4,517	5,243	4,068	5,794

### Summary of Quarterly Results

	<b>2002</b>				<b>2001</b>			
	<b>1<sup>st</sup> Qtr</b>	<b>2<sup>nd</sup> Qtr</b>	<b>3<sup>rd</sup> Qtr</b>	<b>4<sup>th</sup> Qtr</b>	<b>1<sup>st</sup> Qtr</b>	<b>2<sup>nd</sup> Qtr</b>	<b>3<sup>rd</sup> Qtr</b>	<b>4<sup>th</sup> Qtr</b>
	(in thousands of dollars except per share amounts)							
Sales	\$4,128	\$5,793	\$5,333	\$4,040	\$5,201	\$6,640	\$5,245	\$3,719
Net earnings (loss)	(164)	2,695	130	(370)	34	296	(297)	(1,264)
Earnings (loss) per share	(.01)	.22	.01	(.03)	.00	.03	(.02)	(.10)

## 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 {5}, [6], {7} and [8] of the company's 2002 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
Ron L. Fowler San Diego, California	Director	Chairman of the Board 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 Uffelmann 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
Mike Baumken Waterloo, Ontario	Officer	EVP of Operations Brick Brewing Co. Limited	Feb 2001

Kevin Meens Waterdown, Ontario	Officer	Vice President of Marketing Brick Brewing Co. Limited	Nov 2001
Thomas M. Millen Waterloo, Ontario	Officer	V.P. Finance and Admin. and Secretary Brick Brewing Co. Limited	April 2000
Michael A. Ostner Waterloo, Ontario	Officer	Vice President of Production, Brick Brewing Co. Limited	May 1995
Craig Prentice Toronto, Ontario	Officer	EVP of Sales and Business Development 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 officers were appointed during fiscal 2002.

**Mr. Mike Baumken**, has 20 years experience in the Beer industry having held senior roles with Carling O’Keefe, Molson and Miller Brewing in general management, operations and logistics in both Canada and the US.

**Mr. Kevin Meens** was previously a founding stakeholder and Executive Vice President of Sleeman Breweries and played a significant role in its early marketing success.

**Mr. Craig Prentice** has extensive experience in the Ontario beer industry through 23 years with Molson including the role of Senior Vice President & General Manager, Ontario from 1991 to 1995. In this position he was responsible for Ontario sales, distribution, public and government affairs and led a cross functional team of executives in building on Molson’s leadership in the Ontario beer market.

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

The members of the Audit Committee are Mr. Ron Fowler, Mr. Walter Hogg and Mr. Scott 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, 2002 and 2001. 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.