Consolidated Financial Statements of

BRICK BREWING CO. LIMITED

Years ended January 31, 2010 and 2009

AUDITORS' REPORT

To the shareholders of Brick Brewing Co. Limited

We have audited the consolidated balance sheets of Brick Brewing Co. Limited as at January 31, 2010 and 2009 and the consolidated statements of income, comprehensive income 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 audit.

We conducted our audit 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2010 and 2009 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
Licensed Public Accountants

Waterloo, Canada
March 12, 2010

BRICK BREWING CO. LIMITED

Consolidated Balance Sheets

January 31, 2010 and 2009

		2010		2009
				[Restated - note 2]
Assets				
Current assets:				
Cash	**$**	**-**	$	209,291
Accounts receivable *[note 10]*		**2,357,069**		2,096,781
Inventories *[note 3]*		**5,251,714**		5,309,474
Prepaid expenses		**412,351**		507,518
Future income taxes *[note 13]*		**566,000**		522,338
		8,587,134		8,645,402
Property, plant and equipment *[notes 4 and 19]*		**14,101,122**		13,522,720
Trademarks and listing fees		**5,731,954**		5,401,314
Other assets *[notes 2 and 6]*		**188,871**		158,067
Future income taxes *[note 13]*		**1,034,000**		626,103
	$	**29,643,081**	$	28,353,606
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness *[note 7]*	**$**	**1,792,406**	$	-
Accounts payable and accrued liabilities		**3,187,915**		3,846,187
Current portion of long-term debt *[note 8]*		**816,100**		924,000
Current portion of obligations under capital lease *[note 9]*		**146,418**		419,282
Deferred grants *[note 10]*		**-**		270,758
		5,942,839		5,460,227
Long-term debt *[note 8]*		**1,251,800**		2,067,900
Obligations under capital lease *[note 9]*		**138,106**		-
Shareholders' equity:				
Share capital *[note 11]*		**34,678,264**		34,657,984
Contributed surplus		**772,455**		673,593
Deficit		**(13,140,383)**		(14,506,098)
		22,310,336		20,825,479
Commitments *[note 14]*				
	$	**29,643,081**	$	28,353,606

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Peter J. Schwartz" Director

"Edward H. Kernaghan" Director

BRICK BREWING CO. LIMITED

Consolidated Statements of Income, Comprehensive Income and Deficit

Years ended January 31, 2010 and 2009

	2010	2009
		[Restated - note 2]
Gross revenue	**$ 63,277,345**	$ 65,115,136
Less production taxes and distribution fees	**(33,360,935)**	(35,209,590)
Net revenue	**29,916,410**	29,905,546
Cost of sales *[notes 3 and 6]*	**22,732,433**	25,223,069
Gross profit	**7,183,977**	4,682,477
Selling, marketing and administration	**4,041,627**	4,527,627
Earnings before the undernoted	**3,142,350**	154,850
Other income (expense):		
Depreciation and amortization *[notes 2, 4 and 6]*	**(1,794,487)**	(1,775,801)
Impairment of long-term assets *[note 19]*	**-**	(3,349,038)
Disposition of listing fees *[note 5]*	**(194,280)**	(106,104)
Interest on long-term debt	**(137,409)**	(342,290)
Other income (expense)	**(32,518)**	171,965
Severance costs and retiring allowance *[note 18]*	**(69,501)**	(978,589)
Equity loss on long-term investment *[note 20]*	**-**	(82,662)
	(2,228,195)	(6,462,519)
Net income (loss) before provision for (recovery of) income taxes	**914,155**	(6,307,669)
Future income tax provision (recovery) *[notes 2 and 13]*	**(451,560)**	1,084,600
Net income (loss) and comprehensive income (loss)	**1,365,715**	(7,392,269)
Deficit, beginning of period	**(14,506,098)**	(6,852,240)
Cumulative effect of adopting new accounting policies, net of tax *[note 2]*	**-**	(261,589)
Deficit, beginning of period restated	**(14,506,098)**	(7,113,829)
Deficit, end of period	**$ (13,140,383)**	$ (14,506,098)

See accompanying notes to consolidated financial statements.

BRICK BREWING CO. LIMITED

Consolidated Statements of Cash Flows

Years ended January 31, 2010 and 2009

		2010		2009
				[Restated - note 2]
Cash provided by (used in):				
Operations:				
Income (loss) for the year	**$**	**1,365,715**	$	(7,392,269)
Items not involving cash:				
Amortization of property, plant and equipment, and other assets [note 2]		**1,802,587**		1,790,777
Impairment of long-term assets *[note 19]*		**-**		3,349,038
Disposition of listing fees *[note 5]*		**194,280**		106,104
Stock based compensation		**98,862**		197,950
Equity earnings on long-term investment		**-**		82,662
Future income tax provision (recovery)		**(451,560)**		1,084,600
Change in non-cash operating working capital		**(1,036,392)**		2,795,262
		1,973,492		2,014,124
Financing:				
Increase (decrease) in bank indebtedness		**1,792,406**		(2,790,750)
Repayment of long-term debt		**(924,000)**		(906,600)
Repayment of obligation under capital lease		**(134,758)**		(137,853)
Issue of capital stock (net of fees)		**20,280**		2,612,252
Stock options exercised		**-**		357,850
		753,928		(865,101)
Investing:				
Purchase of property, plant and equipment, and other assets		**(2,411,793)**		(862,109)
Purchase of listing fees		**(524,918)**		(77,623)
		(2,936,711)		(939,732)
Net increase (decrease) in cash		**(209,291)**		209,291
Cash, beginning of period		**209,291**		-
Cash, end of period	**$**	**-**	$	209,291
Supplemental cash flow information:				
Cash paid for interest	**$**	**147,608**	$	348,094

See accompanying notes to consolidated financial statements.

Brick Brewing Co. Limited (the "Company") operates three facilities serving primarily the Ontario market. The Company's primary business is the brewing and marketing of packaged beer as well as draught beer in kegs. The Company's products are marketed through the facilities of The Beer Store, the Liquor Control Board of Ontario, which comprise 91% of gross revenue (2009 – 89%), and to licensed establishments.

1. Significant accounting policies:

(a) Revenue recognition:

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Net revenue represents gross revenues, less applicable federal and provincial production, environmental and excise taxes and less distribution service charges levied by applicable provincial liquor boards and government approved distribution agents.

(b) Investments in marketable securities:

Interest-bearing financial assets, intended to be held to maturity, are carried at amortized cost. Interest is recognized on an effective yield basis. These investments are written down to their estimated realizable value when this amount is less than amortized cost, unless the Company has reason to believe it will be able to recover the carrying amount. Other short-term investments classified as held for trading or available-for-sale are carried at fair value.

(c) Inventories:

Raw material, supplies, and promotional items are valued at the lower of cost, on a first-in, first-out basis, and net realizable value. Work-in-process and finished goods are valued at the lower of average cost (including direct materials, labour and overhead costs) and net realizable value. Returnable containers are recorded at cost net of amortization over their estimated useful lives.

In the fourth quarter of fiscal 2009, the Company reviewed the amortization period for returnable containers. The Company previously recognized purchases of bottles over a period ranging from five to ten years. A review of industry data regarding bottle lifespan, return rates and turnover period indicated that the estimated useful life was too high and a more relevant amortization period is four years. An adjustment to cost of goods sold of $608,248 was recognized to reflect the change in estimate. Purchases of bottles are now amortized over a four year period.

(d) Property, plant and equipment:

Property, plant and equipment 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 using the following method and annual rates:

Asset	Basis	Rate
Buildings	Straight-line	3% - 5%
Storage tanks	Straight-line	3% - 33%
Equipment	Straight-line	3% - 25%
Computer equipment	Straight-line	20% - 50%
Vehicles	Straight-line	30%
Assets under capital leases	Straight-line	20%-33%

(e) Impairment of long-lived assets:

Long-lived assets, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(f) Intangible assets:

Intangible assets, acquired both individually or with a group of other assets, are initially recognized and measured at cost. Costs incurred in the maintenance of the service potential of an intangible asset are expensed as incurred.

Management has determined that trademarks and listing fees are indefinite life intangible assets. As such, the assets are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

(g) Net earnings per share:

Basic net earnings per share have been calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted net earnings per share have been calculated similar to basic net earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of warrants and stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the period.

(h) Stock based compensation:

The Company accounts for all stock based payments to employees and non-employees, using the fair value based method. Consideration paid by employees on the exercise of stock options is recorded as share capital.

Under the fair value based method, stock based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The cost of stock based payments to non-employees that are fully vested and non-forfeitable at the grant date are measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards to employees, is measured at fair value at the grant date and recognized over the vesting period. For awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period. For awards that do not vest on a graded basis, compensation cost is recognized on a straight-line basis.

(i) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 year. Actual results could differ from those estimates.

The Company's accounts, which involve a greater degree of uncertainty, include the carrying values of inventory, property, plant and equipment, trademarks and listing fees, deferred costs, other assets and future income tax assets.

2. Changes in Accounting Policies:

Goodwill and Other Intangible Assets:

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 replaced Section 3062 “Goodwill and Other Intangible Assets”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. Upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill, and disclosure, the new section carries forward the requirements of its predecessor. This new section was effective for the Company beginning February 1, 2009. As a result of adopting this section, the Company adjusted the opening deficit in the comparative consolidated balance sheet by $182,080 (net of tax) to write off pre-production costs that are no longer permitted to be deferred. The opening deficit in the comparative consolidated statement of earnings and deficit was adjusted by $261,589. Further, amortization was reduced by $116,068 and future income tax expense has increased by $36,559 for the same period.

Future Accounting Changes:

International Financial Reporting Standards:

On March 11, 2008, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. IFRS will require increased financial statement disclosures. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company has planned its approach for evaluating and assessing the impact that adoption of IFRS will have on its financial position, financial statement disclosure requirements, accounting processes and internal controls over financial reporting.

3. Inventories:

		2010		2009
Promotional items	$	**42,872**	$	101,825
Returnable containers		**2,565,873**		2,746,698
Raw materials and supplies		**1,416,993**		1,215,944
Work-in-process and finished goods		**1,225,976**		1,245,007
	$	**5,251,714**	$	5,309,474

As at January 31, 2010, a provision of $72,464 has been netted against inventory to account for obsolete materials [2009 - $352,000].

For the year ended January 31, 2010, the cost of inventories recognized as an expense was $20,700,803 (2009 - $22,763,181).

During the prior year, $750,218 of maintenance parts inventory was reclassified to property, plant and equipment and are subject to amortization in accordance with the CICA Handbook Section 3031.

During the prior year, the Company revised its estimate of the useful life of returnable containers, which resulted in an adjustment to cost of goods sold of $608,248 to reflect the change in estimate.

4. Property, plant and equipment:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	$ **275,000**	$ **-**	$ **275,000**	$ 275,000
Buildings	**3,157,539**	**1,612,694**	**1,544,845**	1,621,066
Storage tanks	**1,074,030**	**705,274**	**368,756**	398,074
Equipment	**27,102,355**	**15,908,985**	**11,193,370**	10,148,984
Computer equipment	**851,333**	**819,773**	**31,560**	47,109
Vehicles	**188,815**	**188,815**	**-**	-
Maintenance parts	**770,793**	**604,115**	**166,678**	461,574
	33,419,865	**19,839,656**	**13,580,209**	12,951,807
Assets under capital leases	**1,048,218**	**527,305**	**520,913**	570,913
	$ **34,468,083**	$ **20,366,961**	$ **14,101,122**	$ 13,522,720

Amortization of plant and equipment totaled $1,752,715 (2009 - $1,605,165). An impairment of $3,349,038 was recognized in the prior year (note 19) and is included in the net book value amounts. Amortization of assets under capital leases totaled $50,000 (2009 - $65,782).

5. Trademarks and listing fees

a) Trademarks

The Company performed the annual impairment test, as required under the CICA Handbook Section 3062, in the fourth quarter of 2010 and concluded that there was no impairment on trademarks. As a result, the second step of the annual impairment test under Section 3062 was not required to be performed.

b) Listing fees

When a product is delisted, the Company removes the related listing fee from the balance of trademarks and listing fees and recognizes an impairment loss. Products were delisted in the second and fourth quarters of fiscal 2010. As such, an impairment charge of $194,280 was recognized during the year and is included in amortization expenses in the consolidated financial statements. Similar to trademarks, the annual impairment test was performed in the fourth quarter of 2010 and the Company concluded that there was no further impairment on listing fees.

6. Other assets:

Other assets include costs incurred to decal delivery vehicles, net of amortization, of $66,971 (2009 – $108,067) and a prepaid lease cost of $80,000 (2009 – nil).

Amortization of deferred trailer decal costs totaled $41,772 (2009 – $38,140).

The prepaid lease cost is the non-current portion of an operating equipment lease. The first lease instalment was due upon signing of the lease, with the balance due in annual installments over a period of five years. The total lease costs will be amortized over the term of the lease which commences March 2010.

Other assets also includes an amount paid to a third party to offset the costs of upgrades to a waste treatment facility used for the treatment of waste water effluent from the Formosa facility. In the agreement, the Company will receive reduced fees for the treatment of its waste for a period of ten years. This cost is being amortized over the term of the agreement and has a net book value at January 31, 2010 of $41,900 (2009 - $50,000). Amortization for the year was $8,100 (2009 – $162,500). The prior year amortization reflected an acceleration of amortization resulting from the infrequent use of the waste treatment facility.

7. Bank indebtedness:

The Company has an available bank operating line of credit of $4,500,000 with interest at prime plus 0.25%. The Company utilized $1,483,788 of the operating line of credit as of January 31, 2010 (2009 - nil). Bank indebtedness includes outstanding cheques. Interest expense of $10,804 (2009 - $60,659) has been recognized in these consolidated financial statements.

The operating line is 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 Company is in compliance with the financial covenants required under the terms of the bank operating line of credit.

8. Long-term debt:

		2010		2009
Mortgage payable, bearing interest at the lender's floating base rate plus 3.25% (4.149% at January 31, 2010), with monthly interest payments for 12 months of the year and six monthly principal payments of $50,000 from May to October, maturing on October 15, 2013.	**$**	**1,350,000**	$	1,650,000
Mortgage payable, bearing interest at the lender's floating base rate plus 3.25% (4.149% at January 31, 2010), with monthly interest and principal payments for the first five months in Fiscal 2011 of $19,450, and final payment of $19,250, maturing on July 15, 2010.	**$**	**116,500**	$	340,900
Mortgage payable, bearing interest at the lender's floating base rate plus 3.25% (4.149% at January 31, 2010), with monthly interest payments and six monthly principal payments of $66,600 from May to October 2010, followed by two payments of $66,600 from May to June 2011 and a final payment of $68,600, maturing on July 15, 2011.	**$**	**601,400**	$	1,001,000
	$	**2,067,900**	$	2,991,900
Current portion of long-term debt	**$**	**816,100**	$	924,000
	$	**1,251,800**	$	2,067,900

The mortgages are secured by a general security agreement over all assets subject to a secondary priority on accounts receivable and inventory in favour of the Company's operating lender (note 7), a collateral mortgage in the amount of $3,500,000 over real property, a first position assignment of trademarks and a first position security interest in processing plant and equipment.

The Company is in compliance with the financial covenants required under the terms of the mortgages payable.

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

2011	$	816,100
2012		501,800
2013		300,000
2014		450,000
	$	2,067,900

9. Obligations under capital leases:

The following is a schedule of the future minimum lease payments of the capital leases expiring on various dates, together with the balance of the obligations:

		2010		2009
2010	$	**-**	$	155,238
2011		**155,238**		155,238
2012		**138,373**		138,373
		293,611		448,849
Less amount representing interest of 8%		**(9,087)**		(29,567)
Present value of net minimum lease payments		**284,524**		419,282
Less current portion of capital lease		**146,418**		419,282
		138,106		-

To facilitate a financing transaction, the Company entered into a sale leaseback transaction where it borrowed $750,000 secured by bottling line assets of $1,300,000. As the Company will reacquire legal title at the end of the lease, this transaction has been accounted for as debt financing. No gain or loss was recorded on the sale leaseback as the economic substance of the transaction is secured financing.

The Company recognized $20,480 of interest expense relating to the capital lease during the year (2009 - $31,349)

The Company is in compliance with the financial covenants with respect to this capital lease.

10. Deferred grants:

During the prior year, the Ontario Government announced a new four-year Ontario Craft Brewers Opportunity Fund to assist craft brewers with building and marketing its brands. The Company received proceeds of $1,000,000 from this fund in each of fiscal 2009 and 2010, restricted for use in activities designed to grow the business and be more competitive in the Craft Beer industry. The Company has recorded a receivable of $786,326 relating to the third payment to be received in the year-ended January 31, 2011. As a result of the Opportunity Fund, the Company has recognized a reduction to marketing expense of $2,057,084 (2009 - $729,242) during the year.

11. 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 2010	Number of Warrants 2010	Stated value 2010	Number of shares 2009	Number of Warrants 2009	Stated value 2009
Issued, beginning of year	28,057,010	5,729,165	$ 34,657,984	21,845,695	-	$ 31,539,112
Shares issued under employee stock plan	63,375	-	20,280	37,150	-	26,005
Shares issued upon exercise of stock option plan	-	-	-	445,000	-	506,620
Shares/warrants issued through private placement	-	-	-	5,729,165	5,729,165	2,586,247
	28,120,385	5,729,165	$ 34,678,264	28,057,010	5,729,165	$ 34,657,984

(b) Private Placement

On October 31, 2008, the Company completed a non-brokered, non-arms' length private placement (the "Offering") of 5,729,165 units, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.71 for a five-year period from the date of the closing of the Offering and contains standard anti-dilution provisions.

(c) Stock option and share purchase plans:

The Company has issued stock options to certain officers and key employees. The options may be exercised during periods of up to five years following the date of issue, at a price equal to the weighted average closing market price during the five days immediately preceding the date granted.

(i) A summary of the status of the options outstanding under the Company's stock option plan as at January 31, 2010 and 2009 is presented below:

	Options January 31, 2010		**Weighted average exercise price 2010**	Options January 31, 2009		Weighted average exercise price 2009
Outstanding, beginning of year	**1,050,000**	**$**	**0.88**	720,000	$	1.36
Granted	**550,000**		**0.65**	1,050,000		0.88
Exercised	**-**		**-**	(445,000)		0.80
Expired	**(250,000)**		**1.00**	(275,000)	$	2.26
Outstanding, end of year	**1,350,000**	**$**	**0.77**	1,050,000	$	0.88

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

	Exercise price	**Number outstanding as at January 31, 2010**	Weighted average remaining contractual life	Number exercisable at January 31, 2010
$	0.65	**500,000**	4.33	-
	0.69	**50,000**	4.92	-
	0.70	**150,000**	3.67	50,000
	0.71	**150,000**	3.75	50,000
	0.93	**500,000**	3.33	166,667
0.65 to 0.93		**1,350,000**	3.84	266,667

(d) Employee share 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, 2010. During fiscal 2010, 63,375 shares were issued under the plan (2009 – 37,150).

12. Segment information:

Management has determined that the Company operates in a single industry segment which involves the production and sale of beer and other alcohol based products.

13. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 32.90% (2009 – 33.46%) to loss before income taxes. The reasons for the differences and related tax effects are as follows:

		2010		2009
Computed tax recovery using statutory tax rates	$	**302,499**	$	(2,112,823)
Manufacturing and processing deduction		**(20,672)**		123,741
Permanent differences		**37,560**		79,199
Adjustment to future taxes for enacted changes in tax rates		**441,726**		-
Other		**(12,673)**		(5,517)
Income tax expense (recovery) before valuation allowance		**748,440**		(1,915,400)
Change in valuation allowance		**(1,200,000)**		3,000,000
Income tax expense (recovery)	$	**(451,560)**	$	1,084,600

The Company recognized a valuation allowance of $1,800,000 (2009 - $3,000,000) to account for the portion of the non-capital losses carried forward which may not be realized.

Tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2010 and 2009 are presented below:

		2010		2009
Future tax assets:				
Differences between tax and accounting values of property, plant and equipment	$	**376,000**	$	(127,188)
Differences between tax and accounting values of trademarks and listing fees		**(350,000)**		(415,570)
Non-capital loss carry-forwards, net of valuation allowance		**1,558,000**		1,565,527
Other		**16,000**		125,672
Net future income tax asset	$	**1,600,000**	$	1,148,441

The Company has non-capital loss carry-forwards of approximately $ 12,800,000 expiring as follows:

2026		**1,900,000**
2027		**4,600,000**
2028		**5,300,000**
2029		**1,000,000**
	$	**12,800,000**

14. Commitments:

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

2011	$	**1,152,377**
2012		**978,150**
2013		**941,654**
2014		**939,864**
2015		**938,896**
Thereafter		**518,334**
	$	**5,469,275**

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) Laidlaw Carriers Van LP, a vendor subject to significant influence by a director of the Company, provided services to the Company during the year. The costs of these services aggregating to $318,938 (2009 – $145,541) were incurred by the Company. At January 31, 2010, the Company owed this vendor $40,864 (2009 – $14,235).

(b) Direct Cellars Beverage Co. (“Direct Cellars”) was a significantly influenced investee and provided sales services to the Company. In the prior year, the costs of these services, aggregated to $616,369. Direct Cellars ceased operations on January 31, 2009.

(c) On October 31, 2008, the Company completed a non-brokered, non-arms' length private placement (the "Offering") as disclosed in note 11.

16. Financial assets and financial liabilities:

Fair value:

All financial assets and financial liabilities are recorded at amounts which approximate their fair market value.

The Company has interest bearing loans on which general interest rate fluctuations apply.

Credit risk:

At January 31, 2010, the Company has recorded an allowance for doubtful accounts of $48,500 (2009 - $100,355).

The maximum credit risk, being the risk of default on accounts receivable is $1,597,644 (2009 - $2,073,860) which represents the current carrying value. The Beer Store is the largest customer with accounts receivable totaling approximately $829,546 (2009 - $747,086).

A summary of the aging of the trade accounts receivable is presented below:

	Less than 30 days	31-61	61-91	Greater than 90 days
2010	**86%**	**4%**	**2%**	**8%**
2009	68%	13%	3%	16%

Liquidity risk:

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has scheduled certain of its principal payments on long-term debt to the 2nd and 3rd quarters of the year to be consistent with the Company's seasonal activities. The Company also manages liquidity risk through the use of its operating line of credit. Other than the scheduled repayments of long-term debt and obligations under capital lease in 2011 and beyond, all other financial liabilities are due within one year.

Currency and interest rate risk:

The Company is not significantly exposed to currency risk as it does not engage in significant transactions in foreign currencies. At January 31, 2010, the Company had long-term debt which is subject to interest rate fluctuations. At January 31, 2010, if interest rates changed by 1%, the Corporation's pre-tax earnings change would not be significant. The Corporation considers the level of exposure to interest rate risk to be low and accordingly, the Corporation does not have a policy to manage interest rate risk from borrowings at variable interest rates. There were no amounts drawn on the Company's operating line of credit which bears a floating interest rate.

17. Earnings (loss) per share

The computations for basic and diluted earnings per share are as follows:

	2010	2009
Net Income (loss)	**$ 1,365,715**	$ (7,392,269)
Average number of shares outstanding		
Basic	**28,069,332**	23,666,800
Effect of warrants and stock options	**18,582**	-
Diluted	**28,087,914**	23,666,800
Earnings (loss) per share:		
Basic	**$ 0.05**	$ (0.31)
Diluted	**$ 0.05**	$ (0.31)

18. Severance and retirement allowance costs

During the year, the Company incurred severance and retirement allowance costs in the amount of $69,501 (2009 - $978,589). As at January 31, 2010, there was $26,600 outstanding with respect to these costs (2009 - $157,630).

19. Impairment of long-term assets at Formosa facility

In the prior year, the Company consolidated the Formosa brewing operations to the Company's facility located in Waterloo, Ontario, and as a result, the Company reviewed the carrying amounts of the assets at the Formosa facility to assess for impairment. Management compared the carrying amounts to the estimated undiscounted future cash flows expected to be generated by the assets and determined that the assets may be impaired. Management compared the fair value of these assets to the carrying value and recognized an impairment charge of $3,349,038 in the consolidated financial statements for the period ended January 31, 2009.

In accordance with CICA Handbook Section 3063, Impairment of long-lived assets, management estimated the fair value of the assets using valuation techniques, including appraisals and discounted cash flows. Furthermore, management utilized the expected present value technique which includes a probability weighted assessment of the expected cash flows to be earned through use and disposition of the assets. As a result of the expected present value technique, the actual impairment loss will likely differ from the estimates reflected in these consolidated financial statements.

20. Equity loss on long-term investment

On February 1, 2005, the Company acquired a 50% interest in Direct Cellars Beverage Co., a sales agency in the alcohol based products industry, for cash consideration of $60,000. The Company accounted for the investment using the equity method. Direct Cellars Beverage Co. ceased operations on January 31, 2009, which lead to a charge to income of $82,662.

21. Capital disclosure

The Company's objective for managing capital is to maximize the profitability of its existing assets and to create long-term value so as to maintain investor, creditor, and market confidence. The Company considers shareholders' equity, short-term and long-term debt less cash and cash equivalents to be part of its capital structure. All of the borrowing facilities have financial tests and other covenants customary for the types of facilities which must be met at each reporting date.

22. Contingencies

On March 24, 2009, the Company announced that certain of its shareholders commenced a lawsuit against the Company claiming, among other things, that the non-brokered, non-arms' length private placement that closed on October 31, 2008 was prejudicial and unfairly disregarded them. The Corporation is of the view that the claim is without merit. The outcome of the lawsuit is not determinable and therefore, no amount has been recorded in these audited consolidated financial statements.

On August 31, 2009, the Company announced that it received a Statement of Claim from Anheuser-Busch, Incorporated ("Anheuser") and Labatt Brewing Company Limited ("Labatt"), claiming infringement of its Bud Light Lime trademarks and copyrights. Labatt and Anheuser are seeking an injunction as well as damages or an accounting of profits from Brick's sales of Red Baron Lime. Management believes that this claim is without merit and as such, no amount has been recorded in the unaudited consolidated financial statements with respect to this claim.

23. Comparative consolidated financial statements

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.