Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") provides a review of the activities, results of operations and financial condition of Brick Brewing Co. Limited ("Brick" or the "Company") for the twelve months ended January 31, 2011 ("fiscal 2011") in comparison with the twelve months ended January 31, 2010 ("fiscal 2010"). These comments should be read in conjunction with the audited consolidated financial statements and accompanying notes included herein. The comments were prepared as of April 20, 2011. Additional information relating to the Company, including its annual information form, is available at www.sedar.com or in the investor relations section of the Company's website at www.brickbeer.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions and include, for example, the statements concerning expected volumes, operating efficiencies and costs. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect the Company's views as of April 20, 2011 with respect to future events. Future events are subject to certain risks, uncertainties and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including the statements regarding expected volumes, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: sales volumes in the fiscal year ending January 31, 2012 ("fiscal 2012") will increase; no material changes in consumer preferences; brewing and packaging efficiencies will improve; input costs for brewing materials will decrease; the cost of packaging materials will decrease; competitive activity from other brewers will continue; no material change to the regulatory environment in which the Company operates and no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and, for more information regarding the risks, uncertainties and assumptions that could cause the Company's actual financial results to differ from the forward-looking statements, to also refer to the remainder of the discussion in this MD&A, the Company's annual information form and various other public filings as and when released by the Company. The forward-looking statements included in this MD&A are made only as of April 20, 2011 and, except as required by applicable securities laws, the Company does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

DESCRIPTION OF THE BUSINESS

Products

The Company produces, sells, markets and distributes packaged and draft premium beer under the Waterloo brand name, and value beer under the Red Baron, Red Cap, Formosa, and Laker brand names (collectively, the "Brick Brands"). Under its co-packaging agreements, the Company produces, sells, markets and distributes various beer products on behalf of Loblaws Inc. ("Loblaws") under the licensed President's Choice® ("PC®") trademark. The Company produces the Mott's Caesar brand in bottles under a contract with Canada Dry Mott's, Inc. ("CDMI"). In addition to production, the Company also acts as the sales agent in Ontario for CDMI.

On March 16, 2011, the Company acquired the Canadian rights to the Seagram Coolers brand. Refer to the "Seagram Coolers Brand" section for further details.

Management's Discussion and Analysis

Geographic Distribution

The Company's products are sold primarily in Ontario. The Company engages in certain co-packing business, which involves producing and packaging beer and ready-to-drink alcoholic beverages for other customers. The Company began shipping products to Atlantic Canada and British Columbia in the third quarter of fiscal 2011.

Distribution Channels

In Ontario, distribution of packaged beer occurs through The Beer Store ("TBS") and the Liquor Control Board of Ontario ("LCBO"). Consumers can purchase the Company's products through these channels as well as through licensed establishments (bars and restaurants) in Ontario.

Operating Facilities

The Company's brewing facilities are located in Waterloo and Formosa, Ontario. The Company's primary packaging and warehousing facility is located in Kitchener, Ontario. The Company has a packaging facility in Formosa which is presently dedicated to co-packing. The Company's head and registered office is in Waterloo, Ontario.

SELECTED ANNUAL INFORMATION

The following table summarizes certain financial information of the Company for the years indicated below:

Results for the year ended January 31

(in thousands of dollars, except per share amounts)		THREE YEAR SUMMARY				
		2011		2010		2009
				[Restated (1)]		*[Restated (1)]*
Income Statement Data						
Gross Revenue	**$**	**64,732**	$	63,277	$	65,115
Net Revenue (after production taxes and distribution fees)	**$**	**30,105**	$	29,916	$	29,905
Earnings before interest, income taxes, depreciation and amortization, non-recurring items and equity earnings	**$**	**3,767**	$	3,142	$	155
Net earnings	**$**	**2,949**	$	1,347	$	(7,411)
Earnings per share						
Basic	**$**	**0.10**	$	0.05	$	(0.31)
Fully diluted	**$**	**0.10**	$	0.05	$	(0.31)
Balance Sheet Data						
Total Assets	**$**	**34,720**	$	29,643	$	28,354
Current and Non-Current Portions of Long-term Debt	**$**	**3,651**	$	1,975	$	2,880

RESULTS OF CONSOLIDATED OPERATIONS

Results for the year ended January 31

(in thousands except per share amounts)

	2011	2010 *[Restated (1)]*
Gross revenue	$ 64,732	$ 63,277
Less: Production taxes and distribution fees	(34,627)	(33,361)
Net revenue	30,105	29,916
Cost of sales	21,420	22,732
Gross profit	8,685	7,184
	28.8%	24.0%
Selling, marketing and administration	4,918	4,042
Earnings before the undernoted	3,767	3,142
Depreciation and amortization	(1,775)	(1,794)
Impairment of intangible assets	(50)	(194)
Interest and other expense	(346)	(259)
Earnings before income taxes	1,596	895
Recovery of future income taxes	(1,353)	(452)
Net earnings	$ 2,949	$ 1,347
Net earnings per share		
Basic	**$ 0.10**	$ 0.05
Diluted	**0.10**	0.05
Net revenue increase	0.6%	0.03%
Volume growth (decline)	5.2%	(5.9%)
Consisting of:		
Increase (decrease) in Brick brand volume	4.5%	(5.0%)
Increase (decrease) in co-pack volume (2)	6.5%	(7.5%)
Net volume growth (decline)	5.2%	(5.9%)

(1) The above summary has been adjusted to reflect the new accounting policy adopted during the year, as discussed below, under impact of New Accounting Pronouncements.

(2) Includes beer packaged under the licensed PC® trademark on behalf of Loblaws and Mott's Caesar packaged on behalf of CDMI.

*Reconcilation of Net Earnings to Earnings Before Interest Taxes Depreciation and Amortization (EBITDA)**

(in thousands)	Fiscal year-to-date ended	
	January 31, 2011	January 31, 2010 *[Restated (1)]*
Net income	**2,949**	1,347
Add:		
Amortization	**1,775**	1,794
Amortization of financing fees	**113**	19
Impairment of intangible assets	**50**	194
Interest expense	**193**	147
Subtotal	**2,131**	2,154
Less:		
Future income tax recovery	**(1,353)**	(452)
Subtotal	**(1,353)**	(452)
EBITDA*	**3,727**	3,049

(1) The above summary has been adjusted to reflect the new accounting policy adopted during the year, as discussed below, under impact of New Accounting Pronouncements.

NET REVENUE

Gross revenues were $64.7 million in fiscal 2011 compared to $63.3 million in fiscal 2010. Net revenues for fiscal 2011 were $30.1 million compared to $29.9 million in fiscal 2010. Net revenues are calculated by deducting from gross revenues the costs of distribution fees paid to TBS and the LCBO and production taxes.

In fiscal 2011, the Company's overall sales volume was approximately 272,000 hectolitres, comprised of 97,000 hectolitres of co-packaged product and 175,000 hectolitres of Brick Brands.

BRICK BRANDS

Brick Brands sales volumes increased during fiscal 2011 by 4.5% from fiscal 2010's sales volumes. During the same period, the industry beer volumes decreased by approximately 1.0% (based on counter sales through TBS).

The Company experienced a strong turnaround in the sales of its canned products. In fiscal 2011, canned beer sales volume had impressive volume growth of 97.0% compared to a decline of 20.5% in fiscal 2010.

During fiscal 2011, the Laker family brand volumes increased by 11.1% compared to a decline of 20.5% in fiscal 2010. The Company completed an overhaul of the Laker family packaging in the first quarter of fiscal 2011, which entailed redesigned cartons and distinctive labels aimed at delivering the best fit and finish at a value price point. The transformation of the brand family was required in the current pricing environment and the initiative has contributed significantly to reversing a downward sales volume trend in the Laker family brand.

In fiscal 2011, the sales volumes of the Waterloo brands increased by 4.2% compared to an increase of 62.9% in fiscal 2010.

Management's Discussion and Analysis

In fiscal 2011, the Red Baron family of brands declined by 17.8% versus an increase of 593.8% in fiscal 2010. The Company launched Red Baron Platinum Light (a new low calorie beer) at the end of the third quarter of fiscal 2011.

In fiscal 2011, the Company's packaged beer volume consisted of 3% in the premium beer category and 97% in the value beer category. The Company's draft beer volume represented approximately 2% of total Brick Brand volume. As at January 31, 2011, the Company's total market share by volume of TBS retail sales in Ontario was approximately 4% (2010 – 4%).

CO-PACKING ARRANGEMENTS

The volume of co-pack business increased by 6.5% in fiscal 2011 compared to a decrease of 7.5% in fiscal 2010. Excluding the PC® trademark, sales volumes for co-pack business increased by 41.4% during fiscal 2011.

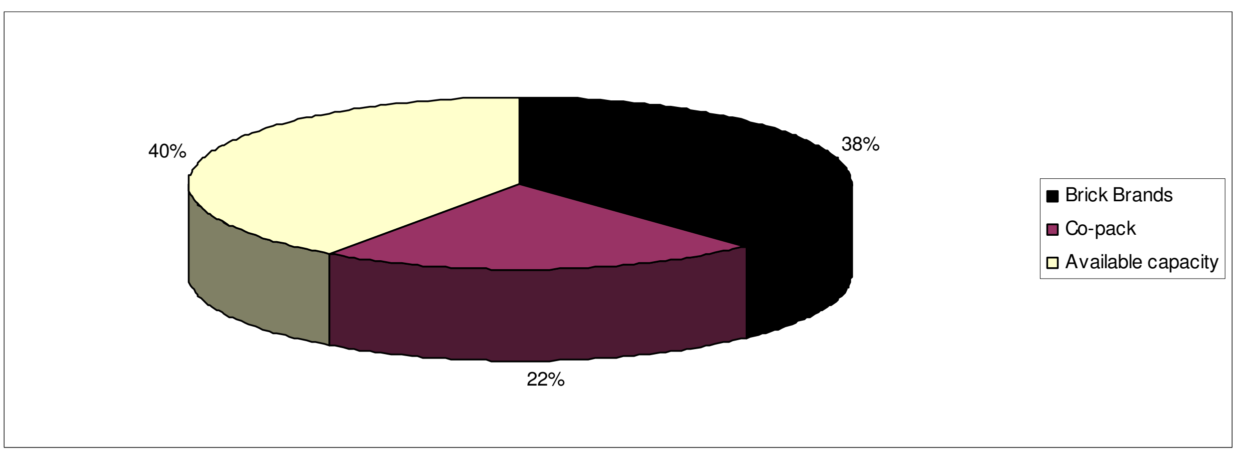
The Company is aggressively seeking new co-packing opportunities to fill the organization's excess capacity. The Company announced on August 5, 2010 that it signed a significant contract brewing agreement which is expected to generate a minimum of $1.0 million in net revenue over the initial term of two years.

PRODUCTION TAXES & DISTRIBUTION FEES

During fiscal 2011, the Company's production tax increased by 6.2% compared to fiscal 2010 as a result of increased production tax rates. Effective July 1, 2010, the Company no longer pays fees to the Alcohol & Gaming Commission of Ontario ("AGCO") and instead remits a Beer & Wine Tax to the Ontario Ministry of Revenue. The beer tax rate is higher than the previous rate paid to the AGCO by $14.2 per hectolitre of beer. The beer tax increase was delivered at the same time the harmonized sales tax ("HST") was implemented in Ontario. Previously, the combined provincial sales tax and federal goods and services tax on beer was 17%. With the introduction of HST, there was a reduction in total sales tax of 4%, with no change to the minimum retail prices. The government is capturing the loss on sales tax through the increased beer tax described above. This will result in an increase in gross sales for the Company and a corresponding increase in taxes, with an immaterial impact on net revenue per hectolitre.

There was not a significant change in the rates for distribution fees during fiscal 2011 aside from regular annual increases and therefore, the cost of distribution fees remained consistent with fiscal 2010 at approximately 19% of gross revenues.

Illustrated below is a graphic representation of the Company's brands and co-pack brands as a percentage of the Company's total capacity:



Management's Discussion and Analysis

COST OF SALES

Cost of sales was $21.4 million for fiscal 2011, a decrease of $1.3 million from fiscal 2010. During fiscal 2011, cost of sales as a percentage of net revenue decreased 4.9% in comparison to fiscal 2010.

The improvement to the Company's margin is a direct result of cost cutting initiatives undertaken by senior management. Efforts to reduce the Company's environmental footprint continue to deliver significant and sustainable reductions in the consumption of water used in production; reductions of effluent discharged to municipal sewer systems; and reductions of raw material losses. The cost of labour has also been reduced through stream-lining processes and manpower optimization on both bottling and canning lines. The Company has also been able to reduce material costs through continued tendering of key supply contracts and renegotiation of existing supply contracts.

Cost of sales represented 71.1% of net revenue in fiscal 2011 compared to 76% in fiscal 2010.

SELLING, MARKETING AND ADMINISTRATION

In fiscal 2011, selling, marketing and administration expenses totalled $4.9 million and represents an increase of $0.9 million from fiscal 2010. Increased marketing expenditures and management bonuses were the primary drivers of this increase. At January 31, 2011, the Company has recorded $0.5 million in bonuses payable to key management personnel.

During the first quarter of fiscal 2011, the Company settled a claim filed by Labatt regarding the Red Baron Lime trademark. The claim filed by the Company against Mr. James Brickman was settled on September 7, 2010.

The litigation between the Company and certain of its shareholders, which commenced in fiscal 2010, is still outstanding. The Company's insurer has confirmed the Company has coverage for the claim, including defence costs on an as incurred basis, under its Directors', Officers' and Company liability insurance policy, subject to a customary reservation of rights. The insurance policy has a deductible of $100,000.

The Company receives funding from the Ontario Government under the Ontario Craft Brewers Opportunity Fund (the "Opportunity Fund") which was established in September 2008. The four-year eligibility period ends on March 30, 2011 and management expects to be in compliance with the Opportunity Fund's requirements and to receive support during the remainder of the program. As such, the Company has recorded a benefit of $1.2 million in fiscal 2011. The Company has recorded a receivable of $1.0 million as at January 31, 2011. This has been presented with trade accounts receivable on the audited consolidated balance. During the fourth quarter of fiscal 2011, the Company received a $1.0 million support payment. The final payment of $1.0 million is expected to be received in the third quarter of fiscal 2012. The Company will continue to maximize the benefits obtained from the Opportunity Fund to better position the Brick Brands in the marketplace.

As a percentage of net sales, selling, marketing and administration expenses were 16.3% for the year ended January 31, 2011 compared to 13.5% for the year ended January 31, 2010.

DEPRECIATION AND AMORTIZATION

For the year ended January 31, 2011, total depreciation and amortization expense was $1.8 million (2010 - $1.8 million). In fiscal 2011, depreciation of property, plant and equipment was $1.7 million (2010 - $1.7 million). Amortization of other assets was $0.1 million this year as compared to $0.1 million last year.

INTEREST EXPENSE ON LONG-TERM DEBT

For fiscal 2011, interest on long term debt was $0.1 million, compared to $0.1 million for fiscal 2010.

Management's Discussion and Analysis

IMPAIRMENT OF INTANGIBLE ASSETS

Listings relate to costs incurred by the Company to list its products within The Beer Store. Listings have indefinite lives unless a product is delisted, at which point, the Company recognizes an impairment loss for the full amount. During fiscal 2011, the Company recognized an impairment loss of $0.05 million (2010 - $0.2 million).

FUTURE INCOME TAX RECOVERY

In fiscal 2011, the Company recorded a future income tax recovery of $1.3 million compared to a recovery of $0.5 million in fiscal 2010. The future income tax recovery is net of a change in the valuation allowance of $1.8 million. As at January 31, 2010, a valuation allowance of $1.8 million was recognized on the consolidated balance sheet to account for the portion of the non-capital losses carried forward which may not be realized. As a result of the increased profitability of the Company, no valuation allowance was required as at January 31, 2011.

NET EARNINGS

For the year ended January 31, 2011, net income was $2.9 million compared to a net income of $1.3 million for the year ended January 31, 2010. Basic and diluted earnings per share for the year ended January 31, 2011 were $0.10 and $0.10 per share respectively, compared with basic and diluted earnings per share of $0.05 per share and $0.05 last year.

LIQUIDITY AND CAPITAL RESOURCES

THE BEER STORE PAYMENT TERMS

During the first quarter of fiscal 2011, TBS announced significant changes in its payment terms. Prior to May 2010, the Company received a payment for each full week of shipments within one week. Effective May 2010, payments are received four weeks after the shipment week has concluded. As a result of this unexpected change in the timing of cash receipts, the Company arranged for a $2.0 million increase in its operating line of credit and a $2.2 million increase in its long-term debt.

CONSOLIDATED FINANCIAL POSITION

The Company has an operating line of credit, mortgages payable and two capital equipment leases. As at January 31, 2011, the Company is in compliance with its covenants under each of the aforementioned agreements. The Company expects to continue to be in compliance with these covenants at January 31, 2012.

The mortgages described above are collectively referred to as long-term debt. On May 6, 2010, two of the mortgages payable were consolidated and refinanced with an increase of $2.2 million, as noted above, to finance the purchase and upgrade of machinery and equipment.

The operating line of credit provides for a maximum of $6.5 million credit (margined against accounts receivable and inventory of the Company) at an interest rate of prime plus 1.5%. Of the available term debt of $2.2 million, the Company received proceeds of $2.0 million during the year. Subsequent to year-end, the Company replaced this long-term debt with new long-term debt with HSBC Bank Canada ("HSBC") as well as obtained an additional increase of $1.5 million in the available line of credit. Refer to the "Seagrams Coolers Brand" section of this MD&A for further discussion.

At January 31, 2011, the Company had bank indebtedness of $0.4 million (2010 – $1.8 million). This represents a decrease of $1.4 million from the previous year. The Company generated $3.4 million of cash from operations which was used, along with the $2.0 million of proceeds from term debt, to reduce the amount of bank indebtedness outstanding and to purchase $3.5 million of capital assets and product listings.

Management's Discussion and Analysis

As at January 31, 2011, the Company had 28,152,660 common shares, 1,349,000 stock options and 5,729,165 warrants outstanding. Each stock option and warrant is exercisable for one common share.

The Company's working capital position was $4.6 million at January 31, 2011 compared to $2.6 million at January 31, 2010.

Current assets of the Company were $10.8 million at January 31, 2011 compared to $8.6 million at January 31, 2010. Accounts receivable at January 31, 2011 includes the $1.0 million relating to the Opportunity Fund discussed previously, under "Selling, Marketing, and Administration" (2010 - $0.8 million). Accounts receivable, excluding the marketing grant, increased by $1.9 million (or 124%), from fiscal 2010 compared to the increase in gross revenues of 2.3%. The significant increase in outstanding receivables is a result of the change in payment terms with TBS, as described above.

The Company's inventory at January 31, 2011 is consistent with the balance of inventory at January 31, 2010. The Company continues to improve inventory management through reducing finished good inventory levels in the warehouse.

Property, plant and equipment increased by $1.4 million from the prior year. The increase is due to the purchase of $3.1 million of capital assets offset by depreciation of $1.7 million. During fiscal 2011, the Company continued to invest in various projects aimed at improving the efficiency of the Company's packaging and distribution center in Kitchener. During fiscal 2011, the Company completed the installation of new packing equipment, which allowed the Company to reduce the cost of packaging materials. The Company also purchased a can pasteurizer which contributed to streamlining processes and reducing labour costs.

Intangible assets increased by $0.3 million from the prior year due to the purchase of listings in the amount of $0.4 million, offset by the impairment of delisted products in the amount of $0.05 million.

Future income taxes (both current and long-term combined) increased by $1.3 million as at January 31, 2011 compared to January 31, 2010. The increase is the net result of the Company applying losses carried forward from previous years to reduce the current taxes payable on net income generated during the year by $0.5 million, and a reduction to the valuation allowance of $1.8 million. Management expects that the Company will utilize the losses carried forward as a result of the increased profitability of the Company, and as such, the valuation allowance was reduced to zero.

The Company's current liabilities were $6.3 million at January 31, 2011 compared to $5.9 million at January 31, 2010; an increase of $0.4 million. This increase is due to efforts to extend payables in response to the new TBS payment terms discussed above.

Long-term debt increased by $1.7 million and obligations under capital leases decreased by $0.1 million at January 31, 2011 compared to January 31, 2010. The increase in long-term debt is due to proceeds received of $2.0 million offset by principal repayments during the year of $0.3 million.

CASH FLOW

The Company generated $3.4 million in cash from operating activities in the year ended January 31, 2011, compared to $2.0 million in the prior fiscal year. This increase is mainly attributable to the increased profitability of the Company through increased sales volumes and cost saving measures. Gross profit increased approximately $1.5 million during the year ended January 31, 2011.

Financing activities generated $0.1 million in cash during fiscal 2011 compared to $0.8 million in the prior fiscal year. While the Company's long-term debt increased to finance the purchase of certain capital assets, the

Company was able to reduce its reliance on the operating line of credit as a result of the increase in cash generated from operations.

Investing activities used $3.5 million of cash during fiscal 2011 compared to $2.9 million last year. The increase in investing activities is due to large capital projects in progress during fiscal 2011 as well as payments for listings paid to TBS.

The Company has an authorized operating line of credit of $6.5 million at prime plus 1.5%. The Company is in compliance with the financial covenants required for the operating line of credit facility. At January 31, 2011, $0.1 million was drawn on the operating line of credit. Bank indebtedness on the consolidated balance sheet includes outstanding cheques.

SEAGRAM COOLERS BRAND

Subsequent to year-end, on March 16, 2011, the Company entered into an agreement with Corby Distilleries Limited ("Corby") and purchased the Canadian rights to the Seagram Coolers brand.

Under the agreement, Brick acquired the Canadian rights to the Seagram Coolers brand for a purchase price of $7.3 million , plus the value of inventory on hand of approximately $1.4 million. The purchase price was satisfied by a $4.9 million cash payment to Corby and the issuance of a secured promissory note for the remaining balance to be paid over the next four years. The promissory note is secured by a first charge over the intellectual property acquired by Brick. Payment of the inventory value is due one-year from closing.

In order to complete the transaction, Brick obtained a new term loan from HSBC Bank Canada ("HSBC") in the amount of $5.8 million. The term loan is repayable over 7 years and has a floating rate of prime + 3%. As part of the agreement with HSBC, the Company will select a fixed rate option within 60 days of closing for a minimum of 50% of the loan value.

The proceeds received from HSBC were used to settle a portion of the purchase price noted above and retire all long-term debt outstanding to Roynat Capital.

Concurrent with the issuance of the new term loan, HSBC increased the Company's maximum operating line of credit from $6.5 million to $8.0 million. The terms for the operating line of credit remain unchanged. Upon closing, the Company charged approximately $4.0 million to its operating line, which included HST recoverable of $1.0 million and approximately $0.2 million in transaction costs.

COMMITMENTS

The Company utilizes several operating leases to finance office and computer equipment and software, warehouse and manufacturing equipment, and vehicles. The Company also leases the building in Kitchener where it has its warehousing and packaging operations. By entering into operating leases, the Company is able to update its equipment more frequently, not utilize its cash to invest in these assets and in so doing lower its overall average cost compared with purchasing the assets. All leases are evaluated at inception for appropriate accounting treatment. The total of the Company's future lease payments can be found in note 10 to the Company's fiscal 2011 audited consolidated financial statements.

The Company has other purchase commitments which include amounts for natural gas, syrup, malt, and packaging materials. A summary of the Company's contractual obligations for the next five years is as follows:

(in thousands)	**Long-term debt [1]**	**Capital lease**	**Operating leases**	**Other purchase commitments**	**Total**
2012	621	163	1,195	3,989	**5,968**
2013	829	25	1,161	107	**2,122**
2014	829	-	1,096	-	**1,925**
2015	829	-	1,095	-	**1,924**
2016	1,338	-	674	-	**2,012**
2017 and thereafter	1,354	-	-	-	**1,354**
	5,800	188	5,221	4,096	**15,305**

(1) Long-term debt commitments reflects the new term debt to be issued subsequent to year-end as discussed under "Seagram Coolers Brand".

The Company does not currently pay dividends on its common shares. At the present time, the Board of Directors of the Company believes that the cash flow of the Company should be reinvested to finance current activities. The dividend policy is reviewed annually.

RISK FACTORS, STRATEGIES AND OUTLOOK

Risk Factors

Licensing

The Company requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. The AGCO and the Canada Revenue Agency provide the necessary licensing approvals. The Company has permits to distribute beer in the province of Quebec. Management believes that the Company is in compliance with all licenses, permits and approvals.

Consumer preference/trends

The beer industry is highly competitive and has experienced an overall decline in beer sales over the past several years. In Ontario, a recent trend has been towards canned beer. Prior to fiscal 2011, the Company was underrepresented in cans. The installation of the canning line in fiscal 2010 has provided the Company with control over production and distribution and the result has been considerable growth in canned volume. The Company's excess canning capacity is approximately 40,000 hectolitres per year. During the fourth quarter of fiscal 2011, the Company installed an additional can filler to increase total canning capacity.

Pricing environment

The increase in the minimum retail price ("MRP") in fiscal 2009 reduced the price gap between value and mainstream brands, creating intense price competition throughout fiscal 2010. A further increase in the MRP for beer became effective April 12, 2010. The Company expects legislated price increases to continue in future years and further erode the price gap between value brands and mainstream brands. Management believes that the Company will stay relevant and profitable by delivering a product that is consistently superior in look and taste to other domestic brands with comparable price. The Company will continue to mitigate ongoing pressure on beer volumes by actively pursuing co-packing contracts that provide incremental volume and gross margin. As required, profits from co-pack arrangements will be reinvested in selling and marketing initiatives to maintain brand loyalty and relevance of Laker, Red Baron and Waterloo trademarks.

Government grant for marketing

The last period of eligibility for the Opportunity Fund is April 1, 2010 to March 31, 2011. The income recognized from this initiative will not extend beyond the current fiscal year, with the final cash payment expected in October 2011. There can be no assurance that this government grant, designed to support Ontario microbrewers, will continue and therefore the operating cash flow required to deliver a similar marketing investment in future years must increase by approximately $1 million. Management expects that additional cost cutting measures and incremental co-packaging arrangements will provide the cash flow required to fill this impending gap.

Quality

With the backdrop of intense price competition driven by MRP changes, the quality of the Company's product is more important than ever. In addition to packaging upgrades in recent quarters, the Company has been measuring and demonstrating tremendous improvement in key areas of quality control. Management continues to work diligently to improve overall product quality and consistency delivered to the consumer. The Company's efforts to continually improve quality and consistency have resulted in the Company recently being awarded four medals including two Gold medals at the Ontario Brewing Awards. The Company also achieved four medals at the 8th Annual Canadian Brewing Awards held on September 24, 2010.

The Company is embarking on a new initiative to meet Hazard Analysis Critical Control Point ("HACCP") requirements and to become a Canadian industry leader though accreditation with a Global Food Safety Initiative certification.

The Beer Store

TBS is owned by larger international competitors. Recently, TBS imposed payment term changes that were punitive and without consultation with small brewers in Ontario. The Company will work hard with other brewers and government to ensure that TBS policy changes going forward are equitable and done in consultation with all interested parties. The payment term extension by TBS necessitated an increase in the Company's maximum line of credit to $6.5 million.

Availability of financing

The Company requires continued support from its lenders to maintain its financial condition. The loss of this support could limit expansion opportunities and put strain on the Company's continuing operations. The ability to maintain current arrangements and secure future financing will depend, in part, upon the prevailing capital market conditions as well as the Company's business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms.

Strategy

"Fix, Fill and Optimize"

The Company's future growth and profitability will depend on management's ability to "fix, fill, and optimize". Volume growth is the essential ingredient to maximize the value of these cost reduction strategies.

In fiscal 2011, significant time and attention was given to the "fill" element of the Company's growth strategy. The Company signed agreements with two new co-pack customers and also signed agreements for distribution of Brick Brands in Atlantic Canada, British Columbia and the North-eastern United States.

Subsequent to year-end, on March 16, 2011, the Company announced that it entered into an agreement with Corby Distilleries Limited ("Corby") and purchased the Canadian rights to the Seagram Coolers brand. The Seagram

Coolers brands complement and expand Brick's portfolio and will strongly position the Company for growth in both the beer and cooler categories. During the first year of integration, management expects Seagram Coolers to utilize less than 10% of the excess capacity and contribute approximately $1.0 million of EBITDA*. Seagram Coolers are available across Canada and the transaction allows Brick to fast forward other plans for national distribution and sales.

The Company continues to represent Palm Breweries in Canada. In fiscal 2011, Palm Ale 6-pack bottles were introduced to the Ontario market and sold through the LCBO. Previously, Palm Ale was only sold in draught through TBS.

The Company's agreement with Loblaws to produce PC® branded beer for the Ontario market has been extended to December 31, 2012.

Filling the excess capacity of 200,000 hectolitres with co-pack business can deliver between $2 million and $6 million of incremental annual cash flows.

Filling the excess capacity with Brick brand volume can deliver incremental cash flows ranging from $4 million to $10 million.

At peak capacity, reinvestment in capital expenditures and marketing will range between $1 million and $3 million.

The optimization component of the Company's strategy involves maximizing the EBITDA impact of filling the organization and will be achieved by securing larger and more profitable co-pack contracts over time and by making appropriate reinvestment in the Brick Brands to drive organic growth at margins which are superior to co-packing business.

In fiscal 2011, the Company was successful in stopping the decline in sales volume. The Company is focused on maintaining the momentum achieved through fiscal 2011 and anticipates Brick Brand growth of approximately 5% in fiscal 2012. Co-pack volumes are expected to increase modestly over fiscal 2011 as a reduction in PC volumes will be offset by volumes pursuant to new co-packaging arrangements.

Management is forecasting Seagram Cooler brand volume of 20,000 HL for fiscal 2012. Beyond fiscal 2012, which management views as the integration period, expected cost synergies will range from $0.2 to $0.5 million. Double-digit volume growth is achievable post fiscal 2012 through development of new packaging formats or beverage styles. The Company has considerable production capability and flexibility that will be a competitive advantage in the Cooler market.

Management's Discussion and Analysis

SUMMARY OF QUARTERLY RESULTS [(1)]

$(000's)	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Net Revenue	6,911	7,112	9,111	6,971	5,679	7,280	9,316	7,641
Selling, marketing & administration	1,217	1,125	1,303	1,272	920	1,067	1,189	866
EBITDA*	337	984	1,772	634	(131)	717	1,308	1,155
Net Income	1,702	213	926	108	228	237	456	426
EPS (Basic)	$ 0.06	$ 0.01	$ 0.03	$ -	$ 0.01	$ 0.01	$ 0.02	$ 0.02
EPS (Diluted)	$ 0.06	$ 0.01	$ 0.03	$ -	$ 0.01	$ 0.01	$ 0.02	$ 0.02

(1) The above summary has been adjusted to reflect the new accounting policy adopted during the year, as discussed below.

SIGNIFICANT FOURTH QUARTER EVENTS

The Company's revenues streams are influenced by seasonality. The second quarter, which covers the summer months, has historically been the strongest quarter for the Company, representing approximately 30% of total revenues in fiscal 2011, followed by the third quarter (approximately 25% of total revenues in fiscal 2011) which covers late summer and fall. The first and fourth quarters usually see a reduction in revenues as beer consumption is lower in the cooler winter months.

During the fourth quarter of fiscal 2011 gross revenues were $14.3 million, as compared to $12.1 million in the same period last year, an increase of 18.2%. Revenues increased primarily due to the volume growth of the Laker Family brand, particularly with respect to cans which grew 135% in the fourth quarter compared to the same period in fiscal 2010. The bottled Laker products also had positive growth of 19.6% in the fourth quarter.

The Red Baron Family brand decreased by 9.9% in the fourth quarter of fiscal 2011 compared to an increase of 214% in fiscal 2010.

In the fourth quarter of fiscal 2011, Brick beer volumes (excluding the PC® brand) increased by 14.7% over the same period last year. In the fourth quarter of fiscal 2010, beer volumes declined by 7%.

Gross revenues for the fourth quarter of fiscal 2011 included revenues of $0.7 million from co-pack activities, which is consistent with the same period in fiscal 2010.

Net revenues for the fourth quarter of fiscal 2011 were $6.9 million compared to $5.7 million in the fourth quarter last year, an increase of 21.0%. Net revenues are calculated by deducting from gross revenues, the costs of distribution fees paid to TBS and the LCBO and production taxes.

Selling, marketing and administration activities costs were $1.2 million in the fourth quarter of fiscal 2011 compared to $0.9 million in the fourth quarter of fiscal 2010 mainly driven by increased bonus expense.

There was a recovery of $2.0 million of future income taxes during the fourth quarter in comparison to a recovery of $1.0 million in the fourth quarter of fiscal 2010. The recovery is due to a reduction to the valuation allowance as a result of management's expectations that the Company will be able to utilize the losses carried forward as a result of the increased profitability of the Company.

EBITDA* was $0.3 million in the fourth quarter of fiscal 2011, compared to a loss of $0.1 million in the fourth quarter of fiscal 2010.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's accounting policies are discussed in detail in note 1 to the Company's fiscal 2011 audited consolidated financial statements.

Transaction Costs

During the year ended January 31, 2011, the Company changed its accounting policy for transaction costs under section 3855 of the CICA handbook. The Company previously recognized all transaction costs as an expense as incurred. To better reflect and present the total cost of acquiring financial liabilities, transaction costs that are directly attributable to the acquisition or issue of a financial liability will be deferred and amortized. The related liability will be presented net of these transaction costs. The net impact of retroactively applying this change in policy is a decrease to the opening deficit for the year ended January 31, 2010 in the amount of $0.1 million. A charge of $0.02 million has been recognized as a finance expense for the year ended January 31, 2010.

International Financial Reporting Standards

Background

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publically accountable entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. In response to this requirement, commencing with the first quarter ended May 1, 2011, the Company will issue unaudited interim consolidated financial statements, including comparative information in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The Company will issue its first annual consolidated IFRS financial statements for the year ending January 31, 2012 (fiscal 2012), which will include the comparative period ending January 31, 2011.

Project structure

The Company has established a Project Team (the "Team") to oversee its transition from Canadian GAAP to IFRS. The Team consists of key members of management, with representation from both finance and operational disciplines within the organization.

During the third and fourth quarters of fiscal 2011, to complement the existing Team, a dedicated finance resource was assigned to the project to ensure that the Company meets its implementation timetable and reporting requirements during fiscal 2012. The Company has also established a Technical Group comprised of finance personnel, to evaluate and conclude on accounting policy decisions and technical accounting issues as they arise.

Project progress

The Company has completed its assessment of the required changes to accounting polices, as well as their implications on processes within the organization. Based upon this assessment, on transition to IFRS, the Company will be required to evaluate and apply all IFRS in effect for periods ending January 31, 2012 and to apply them in the presentation of its opening balance sheet as at February 1, 2010 (the "Date of Transition"). The presentation of an opening balance sheet will necessitate restatement of the comparative year ended January 31, 2010 to adjust balances previously reported under Canadian GAAP.

The Company has completed its analysis of the process changes related to the preparation of pro-forma financial statements and related note disclosures mandated by IFRS.

To date, the project is progressing according to plan. Management is not aware of any matters that would prevent the Company from meeting its filing requirements for its first interim financial statements prepared under IFRS.

First-time adoption elections

IFRS provides first time adopters with explicit guidance on the optional elections available to ease the transition to IFRS and on the mandatory exemptions from retrospective application of IFRS. The Company has reviewed the merit of its available alternatives and will elect as follows:

(a) Accounting estimates

The Company's estimates in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP (after adjustments to reflect any differences in accounting polices), unless there is objective evidence that those estimates were in error.

(b) Derecognition of financial assets and financial liabilities

A first-time adopter is required to apply the derecognition rules in IAS 39 Financial Instruments Recognition and Measurement prospectively from January 1, 2004 unless it chooses to apply the derecognition rules of IAS 39 retrospectively from a date of its choosing. Financial assets and liabilities derecognized before January 1, 2011 are not re-recognized under IFRS.

The Company has applied the derecognition requirements under IAS 39, Financial Instruments, Recognition and Measurement prospectively for transactions occurring on or after January 1, 2004.

(c) Hedge accounting

A hedging relationship will only qualify for hedge accounting at the date of transition if the hedging relationship has been fully designated and documented as effective in accordance with IAS 39 on or before the date of transition and is of a type that qualifies for hedge accounting under IAS 39. On first-time adoption, Hedge Accounting under IAS 39 can be applied prospectively only from the date that the hedge relationship is fully designated and documented subject to all other hedge accounting requirements of IAS 39 being met.

The Company has not designated any hedging relationships and does not use hedge accounting. Accordingly, this exception is not applicable.

(d) Non-controlling interests

IFRS 1 requires that a first-time adopter apply the following requirements of IAS 27(2008) prospectively from the date of transition to IFRS:

- the requirement that total comprehensive income be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;

- the requirements regarding the accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
- the requirements regarding the accounting for a loss of control over a subsidiary, and the related requirements in paragraph 8A of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The Company does not have any non-controlling interest. Accordingly, this exemption is not applicable.

(e) Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the date of transition to IFRS. The retrospective basis would require restatement of all business combinations that occurred prior to February 1, 2010.

The Company has not engaged in any business combinations. Accordingly, this exemption is not applicable.

(f) Share-based payments

For equity-settled transactions, IFRS 1 includes two exemptions:

- first-time adopters are not required to apply IFRS 2 for equity-settled share-based payments granted on or before 7 November 2002; and
- first-time adopters are not required to apply IFRS 2 to share-based payments granted after 7 November 2002 that vested before the date of transition to IFRS.

The Company has elected to apply IFRS 2, Share-base payments to equity instruments that were granted subsequent to November 7, 2002 and which vested prior to February 1, 2010. As such, the Company has not taken the election provided by IFRS 1.

(g) Insurance contracts

IFRS 4 allows entities to continue to use their existing accounting policies for liabilities arising from insurance contracts as long as the existing policies meet certain minimum requirements as set out in IFRS 4. IFRS 1 provides an optional exemption whereby an entity issuing insurance contracts (an insurer) may elect upon first-time adoption to apply the transitional provisions of IFRS 4 Insurance Contracts.

The Company does not hold any contracts that fall within the scope of IFRS 4, Insurance Contracts. Accordingly, this exemption is not applicable.

(h) Deemed costs

IFRS 1 includes an optional exemption that relieves first-time adopters from the requirement to recreate cost information for property, plant and equipment, investment property and intangible assets. When the exemption is applied, deemed cost is the basis for subsequent depreciation and impairment tests.

The Company has elected to measure certain items of property, plant and equipment at fair value as at February 1, 2010.

(i) Leases

IFRIC 4, Determining Whether an Arrangement Contains a Lease specifies criteria for determining, at the inception of an arrangement, whether the arrangement contains a lease. It also specifies when an arrangement should be reassessed subsequently. IFRS 1 provides an exemption from these requirements. Instead of determining retrospectively whether an arrangement contains a lease at the inception of the arrangement and subsequently reassessing that arrangement as required in the periods prior to transition to IFRS, entities may determine whether arrangements in existence on the date of transition to IFRS contain leases on the basis of the facts and circumstances existing at the date of transition.

The Company has elected to apply the transitional provisions in IFRIC 4. As such, the Company will determine whether an arrangement existing as the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.

(j) Employee benefits

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, Employee Benefits, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the date of transition.

The Company does not have any employee benefit plans that fall within the scope of IAS 19, Employee Benefits. Accordingly, this exemption is not applicable.

(k) Cumulative translation differences

A first-time adopter may elect not to calculate the translation difference related to foreign operations retrospectively. Instead, an entity may reset translation differences at the date of transition, determined in accordance with previous GAAP, to zero. The requirements of IAS 21 are then applied prospectively from the date of transition. The gain or loss on subsequent disposal of a foreign operation will only include foreign exchange differences that arose after the date of transition.

The Company does not have any cumulative translation differences. Accordingly, this exemption is not applicable.

(l) Investments in subsidiaries, jointly controlled entities and associates

IFRS do not require entities to prepare separate financial statements. The requirement for entities to produce separate financial statements and the basis on which they should be prepared is generally a matter of legislation in the jurisdiction in which the entity is established. If an entity prepares separate financial statements under IFRS, IAS 27 Consolidated and Separate Financial Statements requires it to account for its investments in subsidiaries, jointly controlled entities and associates at either: (a) cost; or (b) in accordance with IAS 39.

The Company does not have any investments in subsidiaries, jointly controlled entities or associates. Accordingly, this exemption is not applicable.

(m) Assets and liabilities of subsidiaries, associates and joint ventures

This exemption deals with the requirements of IFRS 1 where a parent and a subsidiary become first-time adopters at different dates. These requirements do not apply when the dates of adoption are the same. When the dates of adoption are the same, the parent and the subsidiary may apply the exemptions in IFRS 1 independently of each other; they are not required to take the same exemptions.

In line with (l) above, this exemption is not applicable.

(n) Compound financial instruments

IFRS 1 requires a first-time adopter to apply IAS 32 retrospectively and separate all compound financial instruments into a debt and equity portion. The classification of the components is based on the substance of the contractual arrangement at the date when the instrument first satisfied the criteria for recognition in IAS 32 without considering events subsequent to that date (other than changes to the terms of the instrument). The carrying amounts of the components are determined on the basis of circumstances existing when the instrument was issued and in accordance with the version of IAS 32 effective at the first IFRS reporting date.

The Company does not hold any compound financial instruments. Accordingly, this exemption is not applicable.

(o) Designation of previously recognized financial instruments

An entity is permitted to designate any financial asset, other than an asset that meets the definition of "held for trading", as an "available-for-sale" financial asset at the date of transition to IFRS. A first-time adopter of IFRS must de-designate financial assets and financial liabilities that under previous GAAP were designated as "at fair value through profit or loss" if they do not qualify for such designation under IAS 39.

The Company has elected to not apply the designation exemption provided by IFRS 1 for previously recognized financial instruments. Accordingly, the designations made under Canadian GAAP have remained in place upon transition to IFRS.

(p) Fair value measurement of financial assets or financial liabilities at initial recognition

Because all financial assets and financial liabilities must be initially recognized at fair value, an entity must consider the specific guidance in IAS 39 on fair value when determining the carrying amount of financial assets and financial liabilities at the date of transition to IFRS. This applies even if the financial asset or financial liability is not subsequently measured at fair value, because fair value at initial recognition will be the opening carrying amount at the date of transition to IFRS.

The Company has elected to not apply the exemptions provided by IFRS 1 for fair value measurement of financial assets and liabilities at initial recognition prospectively to transactions entered into after January 1, 2004.

(q) Decommissioning liabilities included in the cost of property, plant and equipment

Under IFRIC 1, specified changes in a decommissioning, restoration or similar liability are added to or deducted from the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

The exemption provided in IFRS 1 from full retrospective application of IFRIC 1 has been applied to determine the adjustment required to property, plant and equipment in respect of the obligation relating with decommissioning the Company's leased distribution facility.

(r) Financial assets or intangible assets accounted for in accordance with IFRS 12, Service Concession Arrangements

An optional exemption relating to IFRIC 12, Service Concession Arrangements, is available under IFRS 1. The exemption makes the transitional provisions included in the Interpretation available to first-time adopters of IFRS.

The Company does not have any arrangements that fall into the "service concession" scope. Accordingly, the exemption is not applicable.

(s) Borrowing costs

IAS 23 prescribes the accounting treatment for borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are expensed as incurred. IFRS 1 provides an exemption from full retrospective application of IAS 23.

The Company has elected to apply the transitional provisions of IAS 23, Borrowing Costs from the date of transition to IFRS.

Identification of key differences

The Company has identified key differences between Canadian GAAP and IFRS for all standards that affect the transition. These differences have been highlighted within the Company's fiscal 2010 annual report.

The Company has quantified the adjustments required to prepare its opening statement of financial position under IFRS at the date of transition. These adjustments, which are in the process of being reviewed by the Company's external auditors, have been presented below and are intended to provide the reader with estimated quantitative information on the Company's significant known IFRS impacts and its calculations of those impacts as of this date. As the Company works towards finalizing its IFRS conversion financial reporting decisions, there is always the possibility that new information will come to light that will change the amounts ultimately reported.

				As at February 1, 2010 (date of transition)
	Notes	Canadian GAAP [restated January 31, 2010]	Effect of transition to IFRS	Opening IFRS Balance Sheet
ASSETS				
Non-current assets				
Property, plant and equipment	**a, b, d**	14,101,122	3,536,393	**17,637,515**
Intangible assets		5,731,954		**5,731,954**
Other assets		188,871		**188,871**
Deferred income tax assets	**e**	1,034,000	566,000	**1,600,000**
		21,055,947	4,102,393	**25,158,340**
Current assets				
Accounts receivable		2,357,069		**2,357,069**
Inventories	**d**	5,251,714	(1,781,451)	**3,470,263**
Prepaid expenses		412,351		**412,351**
Deferred income tax assets	**e**	566,000	(566,000)	**-**
		8,587,134	(2,347,451)	**6,239,683**
TOTAL ASSETS		29,643,081	1,754,942	**31,398,023**
LIABILITIES AND EQUITY				
Equity				
Share capital		34,678,264		**34,678,264**
Share-based payments reserves	**c**	772,455	72,658	**845,113**
Revaluation surplus		-		**-**
Deficit		(13,046,978)	1,521,702	**(11,525,276)**
		22,403,741	1,594,360	**23,998,101**
Non-current liabilities				
Provisions	**a**	-	160,581	**160,581**
Long-term debt		1,158,395		**1,158,395**
Obligations under finance leases		138,106		**138,106**
		1,296,501	160,581	**1,457,082**
Current Liabilities				
Bank indebtedness		1,792,406		**1,792,406**
Accounts payable and accrued liabilities		3,187,915	-	**3,187,915**
Provisions		-	-	**-**
Current portion of long-term debt		816,100		**816,100**
Current portion of obligations under finance leases		146,418		**146,418**
		5,942,839	-	**5,942,839**
TOTAL LIABILITIES		7,239,340	160,581	**7,399,921**
TOTAL LIABILITIES AND EQUITY		29,643,081	1,754,942	**31,398,023**

The impact on equity as a result of transitioning to IFRS is as follows:

	Notes	As at February 1, 2010
Total equity reported under Canadian GAAP		22,403,741
Effect of transitioning to IFRS:		
IFRS 1 exemption relating to decommissioning obligations included in PPE	**a**	(95,567)
IFRS 1 deemed cost election on property, plant and equipment at FMV	**b**	1,689,928
IFRS 2 shared-based payments - graded vesting vs pooling: share-based reserves	**c**	(72,658)
Total effect on deficit		1,521,702
IFRS 2 shared-based payments - graded vesting vs pooling: share-based reserves	**c**	72,658
Total effect on share based reserves		72,658
Total equity reported under IFRS		23,998,101

(a) On transitioning to IFRS, the Company has elected to apply the exemption provided in IFRS 1 from full retrospective application of IFRIC 1. The Company has measured the liability associated with decommissioning its leased distribution facility in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets as at the date of transition and has estimated the amount that would have been included in the cost of the related asset when the liability first arose. The impact of the election at February 1, 2010 was a net increase to property, plant and equipment of $65,014, an increase to non-current provisions of $160,581 and a decrease to equity of $95,567.

(b) On transitioning to IFRS, the Company has elected to measure certain assets at fair market value as at the date of transition. The impact of the election was a gain of $1,689,928 at February 1, 2010 which impacted equity.

(c) Under Canadian GAAP, for stock options that vest in instalments over the vesting period, the Company used the pooling method for the purposes of determining compensation expense. Under IFRS, the pooling method is not permitted. As a consequence, the impact of treating each instalment of options as a separate arrangement resulted in a $72,658 loss through equity at the date of transition.

Opening transition adjustments not impacting equity or comprehensive income:

(d) Under Canadian GAAP, the Company classified returnable glass bottles as items of inventory, subject to depreciation through cost of goods. In transitioning to IFRS, the Company has reclassified these bottles to property, plant and equipment as their use covers more than one period. The impact of the reclassification adjustment was $1,781,451 at February 1, 2010.

(e) Under Canadian GAAP, the Company presented its future income tax balances as either current or non-current based upon the classification of the underlying assets or liabilities to which they relate or, if there is no underlying recognized asset or liability, based upon the expected reversal of the temporary difference. In transitioning to IFRS, these balances have been presented as non-current in accordance with IAS 12, Income Taxes. The impact of the reclassification adjustment was $566,000 at February 1, 2010.

Impact on information technology and data systems

The Company has completed its assessment of the impact of its transition to IFRS on existing information technology and data systems ("IT"). No significant impacts were identified.

Impact on internal controls over financial reporting and disclosure controls and procedures

In accordance with its conversion plan, the Company has and will continue to review and evaluate its internal controls over financial reporting, including its disclosure controls and procedures. Where required, these controls have and will continue to be updated to ensure that they are appropriate for reporting under IFRS.

Financial reporting expertise

To date, the Team has received detailed technical accounting guidance and training internally on the key differences between Canadian GAAP and IFRS as they apply to significant items impacting the organization.

The Company's finance group continues to receive training on a regular basis to ensure that they have the required understanding of new processes, policies and emerging technical and compliance matters.

The Company's Board of Directors and Audit Committee have been informed of the major differences between Canadian GAAP and IFRS and are regularly updated on the progress of the project.

Business activities

To date, the transition to IFRS has had the following impacts on the Company's business activities:

Key finance and operational personnel have been educated on the accounting requirements relating to leases and financial instruments so that the accounting implications of contractual arrangements are appropriately understood when negotiating and entering into new agreements.

The Company has reviewed the terms of its financial covenants as a result of the transition to IFRS. Senior management are aware that any future arrangements must include an analysis of IFRS' impact on these arrangements.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are discussed in note 16 to the Company's fiscal 2011 audited consolidated financial statements.

The Company's transportation service provider, Laidlaw Carriers Van LP, is subject to significant influence by one of the Company's directors. This vendor provided distribution services to the Company during the year aggregating to $0.3 million (2010 - $0.3 million). As at January 31, 2011, the Company owed this vendor $0.05 million (2010 - $0.04 million).

The amounts paid to Laidlaw Carriers Van LP are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), which requires management to make estimates, judgments, and assumptions that it believes are reasonable, based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Management also evaluates its estimates on an ongoing basis. Actual results could differ from those estimates.

Returnable Bottles

Returnable containers are recorded at cost net of deposit liabilities and are amortized over their useful lives. To estimate the useful life, management takes into account return rates and number of uses. The Company estimates useful lives using historical trends and internal studies. There is uncertainty in these estimates in that actual experience may vary from these estimates. The Company is not aware of any facts that would cause it to believe that the estimates used are materially incorrect.

Intangible Assets and Goodwill

Indefinite life intangible assets consist of trademarks and listings. These assets are recorded at cost and are not amortized but instead are tested for impairment annually or when indicated by events or changes in circumstances, by comparing the fair value of the assets to their carrying value. Impairment tests involve using discounted cash flows to value the assets. There is uncertainty in these estimates as the related cash flows are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future cash flows differ from management's estimates, an impairment of these assets and a related write-down may result. When a product is delisted, the Company removes the related asset from the balance of intangibles. The Company believes that these estimates are materially correct.

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. Management concluded that property, plant and equipment were not impaired as of January 31, 2011. The Company believes that these estimates are materially correct.

Future Income Tax Asset

The Company has recorded an income tax asset. In compliance with the "more likely than not test" required by the CICA Handbook section 3465, Income Taxes, for these assets to be recorded, the Company has determined that a valuation allowance is not required. In order to conclude this, management compared the amount of losses available for carry-forward to the expected income forecasted for the next five years, weighted based on the probability of achieving the forecasted figures.

Stock Based Compensation

The Company recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the option plan. Stock based compensation expense recognized during the year ended January 31, 2011 was $0.1 million (2010 - $0.1 million). Assumptions regarding expected stock volatility and risk free interest rates are required to calculate the fair value of the consideration received.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer, Chief Technical Officer and Chief Financial Officer (collectively, the "Officers") are responsible for establishing and maintaining disclosure controls and procedures as defined under Multilateral Instrument 52-109 for the Company. Management has designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to management by others within the Company. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of January 31, 2011 and has concluded that such procedures were effective, subject to the matters identified below under "Internal Control Over Financial Reporting", in providing such reasonable assurance as of such date and for the fiscal year then ended.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its consolidated financial statements in accordance with Canadian GAAP.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Internal controls over financial reporting, no matter how well designed have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of January 31, 2011, based on the criteria set forth in the "Internal Control – Integrated Framework" issue by the Committee of Sponsoring Organization of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that internal control over financial reporting was effective as of January 31, 2011.

In the course of evaluating its ICFR as at January 31, 2011, the Officers identified a disclosable weakness in the area of segregation of duties, caused by limited staffing resources. Specifically, given the size of the Company's staffing levels, certain duties within the accounting and finance department cannot be properly segregated. As a result there are identifiable instances where personnel had the ability to initiate transactions or accounting entries within certain financial reporting applications that may not be compatible with their other roles and responsibilities. However, none of the segregation of duty or access control deficiencies resulted in a misstatement to the consolidated financial statements as the Company relies on certain compensating controls, including substantive periodic review of the consolidated financial statements by the Officers and Audit Committee. This weakness is reported in accordance with National Instrument 52-109 and is considered to be a common area of deficiency for many smaller listed companies in Canada.

FINANCIAL INSTRUMENTS

The Company does not enter into contractual agreements involving derivative financial instruments such as interest rate swaps, forward currency and commodity contracts to hedge its risk associated with interest rate, foreign currency, and commodity price fluctuations.

The Company enters into contracts involving non-financial items for the purchase of raw materials and packaging supplies. These contracts are held for the purposes of the receipt or delivery of a non-financial item in accordance with the Company's expected usage requirements.

A portion of the Company's purchases are in U.S. dollars. The Company does not sell any of its products in U.S. funds.

The Company uses significant quantities of malt and hops. The Company uses fixed price contracts of less than one year to reduce the price exposures on these commodities. The Company has secured its required supply of malt and hops for fiscal 2012 and has entered into fixed price contacts, the balance of which are disclosed in the commitments schedule included in this MD&A.

SHARE CAPITAL

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.

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.

Each stock option and warrant is exercisable for one common share at prices ranging from $0.65 to $0.93.

The total number of common shares, warrants, and stock options outstanding as of April 20, 2011 is as follows:

Number of shares	Number of warrants	Number of options
28,152,660	5,729,165	1,349,000

* EBITDA is a non-GAAP earnings measure, therefore it does not have any standardized meaning prescribed by Canadian generally accepted accounting principles or International Financial Reporting Standards and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.