The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Big Rock Brewery Inc. (the "Corporation" or "Big Rock") for the year ended December 30, 2014, as compared to the year ended December 30, 2013.

This MD&A should be read in conjunction with the consolidated financial statements of the Corporation and accompanying notes as at, and for, the years ended December 30, 2014 and 2013 (the "Financial Statements"), which have been prepared using International Financial Reporting Standards for publicly accountable enterprises as adopted by the Canadian Accounting Standards Board ("IFRS"). All amounts are reported in thousands of Canadian dollars, unless otherwise noted.

Readers should also read the "Forward-Looking Information" contained at the end of this document.

The MD&A is dated March 13, 2015.

CORPORATE PROFILE

Big Rock Brewery—headquartered in Calgary, Alberta—produces premium, all-natural craft beers. As Canada's leading craft brewer, Big Rock has a family of ten permanent ales and lagers, the Rock Creek series of craft ciders, and a continually changing variety of seasonal and limited-edition beers.

Big Rock stands out as a Canadian producer, marketer, and distributor of premium quality specialty craft beers. The Corporation has sales and distribution facilities in Calgary and Edmonton, sales staff resident in Alberta, British Columbia, Saskatchewan, Manitoba and an agency arrangement for product sales in Ontario. Big Rock products are sold in six provinces and two territories in Canada and also exported to Korea.

INDUSTRY TRENDS AND INDICATORS

The beer industry in Canada has become increasingly polarized, with growth occurring in value-priced products at one end of the spectrum and in premium craft beers at the other end. This growth is largely at the expense of products in the middle of the spectrum, which have been declining steadily over the past several years. Additionally, there is significantly more competitive activity in Alberta than in other Canadian markets, as represented by faster growth in the number of products listed in Alberta than the growth in sales volumes. In other major craft beer markets, such as British Columbia and Ontario, volume growth in craft beer has outpaced growth in product listings. Big Rock's principal market is Alberta and so the Corporation has been disproportionately affected by the industry trends in that province. The combined impact of these factors has resulted in a decline in Big Rock's sales volumes of 9.0% for the year ended December 30, 2014. Excluding discontinued products and contracts a volume increase would be realized for the three months ended December 30, 2014 of 963 hl (2.5%) while, for the twelve months ended December 30, 2014 the volume decrease would be 10,753 hl (6.0%).

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of selected financial information of the Corporation for the last three completed years:

$ thousands (unless otherwise stated)	Dec. 30 2014	Dec. 30 2013	Dec. 30 2012
Statements of Comprehensive Income Data			
Net revenue	36,755	41,587	46,057
Operating profit	715	3,282	5,618
Net income	624	2,551	4,135
Income per share (basic and diluted)	$0.09	$0.42	$0.68
Dividends per share	$0.80	$0.80	$0.80
Statements of Financial Position Data			
Total assets	48,167	42,657	46,300
Total debt	—	—	2,042

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected financial information of the Corporation for the last eight completed quarters:

	2014				2013			
$ thousands (unless otherwise stated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volumes (hectolitres)	**39,194**	48,376	46,597	34,100	39,328	52,110	51,266	42,098
Net revenue	**8,638**	10,556	10,414	7,147	9,096	11,852	11,635	9,004
Operating profit (loss)	**(224)**	1,017	342	(420)	(243)	1,590	1,806	129
Net income (loss)	**(106)**	764	276	(310)	(127)	1,217	1,369	92
Per hl net revenue	**220.39**	218.21	223.49	209.59	231.29	227.44	226.95	213.88
Per hl cost of sales	**121.88**	109.70	113.31	104.60	132.04	106.26	103.99	99.74
Per hl selling expenses	**73.17**	64.87	77.79	79.30	72.31	67.09	62.94	79.41
Per hl operating profit (loss)	**(5.72)**	21.02	7.34	(12.32)	(6.18)	30.51	35.23	3.06
Income (loss) per share (basic and diluted)	**$ (0.02)**	$0.11	$ 0.04	$ (0.05)	$ (0.02)	$0.20	$ 0.22	$ 0.02
Dividends per share	**$ 0.20**	$0.20	$ 0.20	$ 0.20	$ 0.20	$0.20	$ 0.20	$ 0.20

Big Rock experiences seasonal fluctuations in volumes, net sales revenue and net income with the second and third quarters typically being the highest and the first and fourth being the lowest. These seasonal variations are dependent on numerous factors, including weather, timing of community events, consumer behaviour, customer activity and overall industry dynamics, specifically in western Canada. The selected quarterly information is consistent with these expectations and industry trends.

RESULTS OF OPERATIONS

Sales volumes decreased 0.3% for the three months ended December 30, 2014 as compared to the same period last year and Big Rock's net loss for the three months ended December 30, 2014 was $106 compared to $127 in 2013. Sales volumes for the twelve months ended December 30, 2014 were 168,268 hl, which is a decrease of 9.0% over the same period in 2013. Net income for the twelve months ended December 30, 2014 was $624 compared to $2,551 in 2013. The decrease in net income is a result of reduced sales volumes.

For the quarter ended December 30, 2014, operating losses totalled $224 compared to operating loss of $243 for the same period last year, while for the year ended December 30, 2014, operating profit decreased to $715 from $3,282, which was driven by reduced volumes, primarily in the first half of the year.

Gross Profit

	Three months ended			Twelve months ended		
$ thousands (unless otherwise stated)	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Net sales revenue	8,638	9,096	(458)	36,755	41,587	(4,832)
Cost of sales:						
Ingredients and packaging materials	2,419	2,322	97	10,065	9,996	69
Labour	934	1,009	(75)	4,423	4,487	(64)
Overhead	617	753	(136)	2,781	2,828	(47)
Inventory movement	327	305	22	(125)	106	(231)
Depreciation	480	804	(324)	1,786	2,843	(1,057)
Cost of sales	4,777	5,193	(416)	18,930	20,260	(1,330)
Gross profit	3,861	3,903	(42)	17,825	21,327	(3,502)
Sales volumes (hl)	39,194	39,328	(134)	168,268	184,802	(16,534)

Net sales revenues include product sales for beer and cider. Net sales revenue decreased $458 (5.0%) and $4,832 (11.6%) for the three and twelve months ended December 30, 2014, respectively, compared to the same periods in 2013. Quarterly sales volumes were fairly consistent with the equivalent period in 2013, decreasing 0.3% (134 hl). The decrease in net sales revenue was a result of reduced sales volumes of premium-priced signature category products. This was mainly a result of increasing competition in the Alberta market. Private label category products, which have a lower price point, experienced a sales volume increase for the quarter, which offset the signature products' volume loss. This increase was due to the positive market response to new packaging designs for certain private label brands.

The twelve month net sales revenue decrease was primarily attributable to lower sales volumes, which decreased 9.0% (16,534 hl) when compared to 2013. The volume decrease was a result of several factors: reduced availability of cider and mixed packs during the first quarter as a result of the proprietary bottle changeover, non-renewal of an unprofitable private label contract which expired at the end of 2013, discontinuance of certain package configurations and the impact on certain beers in the signature category of aggressive and growing competition in the Alberta market.

Volume growth occurred in premium-priced Brewmasters and seasonal brands in both the quarter and year ended December 30, 2014 as Big Rock continued to focus on innovation.

Management believes that a strategic focus on geographical regions that offer growth and profit potential, together with continued product innovation to be key elements of Big Rock's future profit growth strategy.

Geographically, Alberta and British Columbia continued to represent the largest shares of the Corporation's sales.

For the three months and year ended December 30, 2014, total cost of sales decreased by $416 and decreased $1,330, respectively, compared to the same periods last year, as described below:

- For the quarter ended December 30, 2014, costs relating to ingredients and packaging materials increased $97, and for the year ended December 30, 2014, costs increased $69 compared to the same periods in 2013. These increases are due to the costs associated with the introduction of a new 330ml proprietary-mould bottle, the increased use of 650ml bottles, as well as the creation of new packaging for certain private label brands.

- Big Rock's labour costs relating to production are historically fixed in nature. When compared to the same periods in 2013, labour charges decreased $75 and $64 for the fourth quarter and year end, respectively. The decreases are a result of lower bonus accruals across departments.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs decreased by $136 and $47 for the quarter and year to date, respectively. The lower costs are due mainly to reduced inventory write-offs.

- Inventory movement is a timing difference relating to the absorption of production costs into finished goods inventory on the statement of financial position, and the eventual charge to income for those costs as finished goods inventory is sold. For the three and twelve months ended December 30, 2014, charges relating to inventory movement increased by $22 and decreased by $231, respectively, compared with the same periods last year.

- Big Rock includes depreciation charges on production equipment used to convert raw materials to finished goods as part of its cost of sales and finished goods inventory. Cost of sales for the three months ended December 30, 2014 included a decrease in costs of $324, which was driven by the disposition of all industry standard bottles in December 2013 and inventory movement in the period. For the twelve months ended December 30, 2014 cost of sales included a reduction in costs of $1,057 for the same reason.

On a per hectolitre ("hl") basis, cost of sales decreased by $10.16 per hl (7.7%) for the three months ended December 30, 2014, compared to the same period in 2013. For the twelve months ended December 30, 2014, cost of sales increased by $2.87 per hl (2.6%). Decreased depreciation was the primary driver in the quarter. Increased ingredients and packaging materials, offset by decreased depreciation were the primary drivers in the year to date results, as detailed in the following table:

Per Hectolitre Cost of Sales

	Three months ended			Twelve months ended		
	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Net sales revenue	220.39	231.29	(10.90)	218.43	225.04	(6.61)
Cost of sales:						
Ingredients and packaging materials	61.72	59.03	2.69	59.81	54.10	5.71
Labour	23.83	25.66	(1.83)	26.29	24.28	2.01
Overhead	15.74	19.15	(3.41)	16.53	15.30	1.23
Inventory movement	8.34	7.76	0.58	(0.74)	0.57	(1.31)
Depreciation	12.25	20.44	(8.19)	10.61	15.38	(4.77)
Cost of sales	121.88	132.04	(10.16)	112.50	109.63	2.87

Selling Expenses

	Three months ended			Twelve months ended		
$ thousands	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Selling:						
Delivery and distribution	796	782	14	3,120	3,314	(194)
Salaries and benefits	755	754	1	3,270	3,739	(469)
Marketing	152	254	(102)	972	1,158	(186)
Regional sales	873	801	72	3,857	3,740	117
Community sponsorship and other	292	253	39	1,116	959	157
Total selling expenses	2,868	2,844	24	12,335	12,910	(575)

For the three months ended December 30, 2014, selling expenses increased by $24 compared with the same period last year. For the year ended December 30, 2014, selling expenses decreased by $575 compared to the same period last year. These changes are detailed as follows:

- Delivery and distribution costs increased $14 for the quarter and decreased $194 for the year ended December 30, 2014 as compared to the same periods in 2013. The increase in the quarter was due to a slight increase in third party storage and handling charges. The decrease for the year was due primarily to lower overall sales volumes.

- Salaries and benefit costs increased by $1 for the quarter, while for the year ended December 30, 2014, salaries and benefit costs decreased $469 as a result of lower severance costs and lower bonus accruals.

- Marketing costs decreased by $102 and $186 for the quarter and year to date, respectively, due to reduced third party consulting costs and advertising activity.

- Regional sales expenses increased by $72 and $117, respectively, for the quarter and year ending December 30, 2014 as compared to the same periods in 2013. These increases were a result of increased point-of-sale merchandise usage in addition to more retail tasting activity.

- Community sponsorship expenses increased by $39 and $157 for the three months and year ended December 30, 2014 as compared to the same periods in 2013 as a result of new community initiatives.

On a per hectolitre basis, selling expenses increased by $0.86 per hl (1.2%) for the three months ended December 30, 2014 compared to the same period in 2013. For the year ended December 30, 2014, selling expenses increased by $3.45 per hl (4.9%). Increases in regional sales and community sponsorship expenses were the primary drivers for the increase in the quarter and year to date, as detailed in the following table:

Per Hectolitre Selling Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Selling:						
Delivery and distribution	20.31	19.88	0.43	18.54	17.93	0.61
Salaries and benefits	19.26	19.17	0.09	19.43	20.23	(0.80)
Marketing	3.88	6.46	(2.58)	5.78	6.27	(0.49)
Regional sales	22.27	20.37	1.90	22.93	20.24	2.69
Community sponsorship and other	7.45	6.43	1.02	6.63	5.19	1.44
Selling expenses	73.17	72.31	0.86	73.31	69.86	3.45

General and Administrative Expenses

	Three months ended			Twelve months ended		
$ thousands	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
General and Administrative:						
Salaries and benefits	339	780	(441)	2,134	2,813	(679)
Professional fees	177	100	77	644	658	(14)
Reporting and filing fees	25	14	11	108	105	3
Insurance	51	57	(6)	207	210	(3)
Building maintenance and taxes	124	128	(4)	503	506	(3)
Bank charges	64	3	61	94	26	68
Office, administrative and other	357	141	216	799	503	296
Total general and administrative expenses	1,137	1,223	(86)	4,489	4,821	(332)

For the three months ended December 30, 2014, general and administrative expenses decreased by $86 and for the year ended December 30, 2014, general and administrative expenses decreased by $332, compared with the same periods as last year, as detailed below:

- Salaries and benefit costs decreased by $441 and $679 for the three months and year ended December 30, 2014, respectively, as compared to the same periods in 2013. The decreases are a result of lower bonus accruals as well as adjustments to the valuation of awards under the Corporation's stock appreciation rights ("SAR") program.

- Professional fees, which include legal, audit, tax and accounting advisory services, increased by $77 for the three months and decreased by $14 for the year ended December 30, 2014. The increase in the quarter was a result of higher legal, consulting and recruitment costs. The overall year to date decrease was driven by reduced audit and legal fees.

- Reporting and filing fees increased by $11 for the three months ended December 30, 2014 compared to the same period last year as a result of higher listing fees and market reporting expenses. On a full year basis, reporting and filing fees increased by $3 driven by higher market reporting expenses.

- In 2014, both the fourth quarter and full year insurance costs decreased slightly as a result of reduced premiums.

- Building maintenance and taxes decreased primarily as a result of lower 2014 business and property taxes and reduced property maintenance costs in the fourth quarter.

- When compared to the same periods last year, bank charges were higher in both the fourth quarter and year to date as a result of standby fees on the credit facility expensed in the quarter.

- Office, administration and other, which include IT related amounts, memberships, dues and licenses, travel and automotive costs, and corporate hospitality, increased $216 for the three months and $296 for the full year ended December 30, 2014 compared to the 2013 comparative periods. These increases were a result of costs associated with the BC expansion, including pre-operating lease costs, license fees and travel expenses.

Depreciation and Amortization

	Three months ended			Twelve months ended		
$ thousands	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Depreciation included in cost of sales	480	804	(324)	1,786	2,843	(1,057)
Depreciation - other	74	72	2	260	288	(28)
Amortization	7	7	—	26	26	—
Total	561	883	(322)	2,072	3,157	(1,085)

For the three and twelve months ended December 30, 2014, depreciation expense included in cost of sales decreased by $324 and $1,057, respectively, when compared with the same period last year due to the accelerated depreciation and subsequent disposal of industry standard bottles, together with associated packaging equipment, in favour of a proprietary-mould bottle introduced in December 2013. New proprietary-mould bottles are inventoried and expensed through cost of sales as consumed. Amortization expense, which relates to intangible assets, which include software, naming rights and website costs, remained consistent with the same period of last year. Other depreciation, which relates to non-production assets, also remained fairly consistent in the quarter. For the year ended December 30, 2014, Other depreciation decreased as decals and wraps were discarded.

Finance expenses (income)

	Three months ended			Twelve months ended		
$ thousands (unless otherwise stated)	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Interest on long-term debt	—	—	—	11	34	(23)
Interest on operating facility	(10)	(5)	(5)	(47)	(25)	(22)
Total finance expenses (income)	(10)	(5)	(5)	(36)	9	(45)
Weighted average effective interest rate	0.00%	4.23%		4.30%	4.43%	

The principal amount of long-term debt and bank indebtedness was $nil as at December 30, 2014 compared to $nil as at December 30, 2013. The interest rates applicable to all loans and borrowings are based on the lender's prime rate. The decrease in interest expense for the three months and year ended December 30, 2014 compared to the same periods last year reflects the impact of lower average borrowings.

Other

	Three months ended			Twelve months ended		
$ thousands	Dec. 30 2014	Dec. 30 2013	Change	Dec. 30 2014	Dec. 30 2013	Change
Other income	131	85	46	351	285	66
Other expenses	56	63	(7)	153	109	44

Other income includes restaurant royalties, miscellaneous income (primarily from the sale of spent grains and rental of yard space), gains or losses on asset disposals and net revenue from tours, hospitality, and the dry goods store.

Income Taxes

$ thousands	Three months ended Dec. 30 2014	Dec. 30 2013	Change	Twelve months ended Dec. 30 2014	Dec. 30 2013	Change
Current income tax expense (recovery)	(663)	475	(1,138)	279	2,485	(2,206)
Deferred income tax expense (recovery)	630	(563)	1,193	46	(1,586)	1,632

Current income tax recovery of $663 was recorded for the three months ended December 30, 2014 (2013 – expense of $475) bringing the year to date current tax expense to $279 (2013 - $2,485). These taxes arise from the transitional provisions on the taxation of partnership deferral structures.

During the three months ended December 30, 2014, the Corporation recorded a deferred income tax expense of $630, bringing the year to date deferred tax expense to $46 compared to a recovery of $1,586 for the same twelve month period last year.

The deferred income tax provision differs from the statutory rate of 25.17% (2013 – 25.19%) due to permanent differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for income tax purpose, as well as the effect of non-deductible amounts.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Balance Sheets from December 30, 2013 to December 30, 2014:

$ thousands	**Increase/ (Decrease)**	**Primary factors explaining change**
Property, plant and equipment	3,211	BC brewery and machinery additions, net of amortization
Intangible assets	26	Computer software projects and additions, net of amortization
Inventories	830	Increase in raw materials and finished goods
Accounts receivable	120	Higher day sales outstanding from AGLC as well as increase in GST receivable
Prepaid expenses and other	(85)	Reduction in deposits on Vancouver brewery equipment
Deferred income taxes	(195)	Tax effect of changes in temporary differences
Current income taxes receivable	4,194	Tax payments
Accounts payable and accrued liabilities	(517)	Reduced supplier payments relating to lower volumes
Share-based payments liability	(471)	Decrease in SAR valuation
Dividends payable	161	Increase in shares outstanding as a result of share offering

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

$ thousands (unless otherwise stated)	Dec. 30 2014	Dec. 30 2013
Bank indebtedness (cash)	(1,484)	(2,317)
Total debt	—	—
Shareholders' equity:		
Shareholders' capital	113,121	100,109
Contributed surplus	1,083	892
Accumulated deficit	(75,761)	(71,043)
Total shareholders' equity	38,443	29,958
Total capitalization (total debt plus shareholders' equity, net of cash balances)	36,959	27,641
Total debt to capitalization ratio	0.0%	0.0%

Capital Strategy

The Corporation includes as capital its common shares plus short-term and long-term debt, net of cash balances, and has no externally imposed capital requirements. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern, in order to support the Corporation's normal operating requirements and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. This allows management to maximize the profitability of its existing assets and create long-term value and enhance returns for its shareholders.

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting and working capital management, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets, which are approved by the Board of Directors. These budgets are updated as necessary depending on various factors, including capital deployment, results from operations, and general industry conditions.

In addition, the Corporation monitors its capital using ratios of (i) earnings before interest, taxes, depreciation and amortization ("EBITDA") to long-term debt and (ii) EBITDA to interest, debt repayments and dividends. EBITDA to interest, debt repayments and dividends is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. EBITDA is a non-GAAP measure. For a reconciliation of EBITDA to net income, the nearest GAAP measure, see Cash Flows—Financing Activities later in this MD&A.

These capital policies provide Big Rock with access to capital at a reasonable cost.

As discussed later in this MD&A, all of the borrowing facilities have financial tests and other covenants customary for these types of facilities and must be met at each reporting date.

Shareholders' Capital

	# of shares	$ Amount (thousands)
As at December 30, 2013	6,068,678	100,109
Issued following public offering	799,250	12,874
Issued on exercise of stock options	8,000	138
As at December 30, 2014	6,875,928	113,121

On April 10, 2014, Big Rock closed an equity offering to sell 799,250 common shares at $17 per share for gross proceeds of $13.6 million. Share issue costs of $953 were incurred and a decrease in the deferred tax liability of $241 was recognized, resulting in net proceeds of $12.9 million.

Big Rock is authorized to issue an unlimited number of common shares with no par value.

The Corporation's shares trade on the Toronto Stock Exchange under the symbol BR. As at March 13, 2015 there were 6,875,928 issued and outstanding shares and the closing price was $12.75 per share. Based upon 6,875,928 issued shares, the Corporation has an approximate market capitalization of $87.7 million.

Share-Based Compensation Plan

In March 2014, the Corporation granted 58,500 options at an exercise price of $18.06 per share with an expiry date of March 17, 2019. On September 11, 2014, the Corporation granted 58,500 options at an exercise price of $15.96 per share with an expiry date of September 11, 2019.

The weighted average fair value of each grant was estimated at the grant date using the Black-Scholes option pricing model. The weighted average fair value estimates and related assumptions used for the calculation were:

	September 2014	March 2014	September 2013	March 2013
Weighted average fair value per option	**1.54**	1.95	1.66	1.61
Risk-free interest rate (%)	**1.42**	1.42	1.83	1.22
Expected life of the options (years)	**4**	4	4	4
Dividend rate (%)	**5.06**	4.44	5.30	5.41
Volatility in the price of the Corporation's shares (%)	**22.4**	22.4	23.5	25.3

For the three months ended December 30, 2014, $nil (2013 – $nil) of share-based compensation was recognized in the statement of comprehensive income. For the year ended December 30, 2014, share-based compensation charges of $204 (2013 - $191) were recognized in the statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

The following is a summary of option transactions under the Corporation's stock option plan:

	2014		2013	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Balance, beginning of year	413,000	$ 14.75	323,000	$ 14.85
Expired	(14,000)	$ 16.15	(27,000)	$ 16.87
Exercised	(8,000)	$ 15.62	—	—
Issued	117,000	$ 17.01	117,000	$ 14.98
Balance, end of year	508,000	$ 15.22	413,000	$ 14.75

The following table summarizes information about stock options outstanding and exercisable at December 30, 2014:

Exercise price	# of Options outstanding at December 30, 2014	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at December 30, 2014
$11.88 to $14.26	166,500	2.19	$ 13.07	166,500
$14.27 to $16.28	175,500	3.87	$ 15.31	175,500
$16.29 to $18.06	166,000	2.03	$ 17.29	166,000
Balance, December 30	508,000	2.72	$ 15.22	508,000

In March 2012, the Corporation introduced a share appreciation rights ("SAR") plan as a component of overall compensation of directors, officers and employees. These SARs vest immediately and are exercisable for five years thereafter.
In March 2014, the Corporation granted 53,900 SARs with an exercise price of $18.06 (to be settled in cash). In September 2014, the Corporation granted 54,000 SARs with an exercise price of $15.96 (to be settled in cash).

At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the balance sheet and recorded as compensation expense.

As at December 30, 2014, 303,800 SARs were outstanding (December 30, 2013 – 214,800). During the year ended December 30, 2014, 107,900 SARs were issued (2013 – 108,200), 18,900 SARs were exercised (2013 – nil) and no SARs expired (2013 – nil). As at December 30, 2014, the fair value of the SARs was calculated and resulted in a liability of $216 (2013 - $687) and a recovery of $394 being recorded in general and administrative expenses (2013 – charge of $449).

At December 30, 2014, the weighted average fair value of the SARs issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	September 2014	March 2014	September 2013
Weighted average fair value per SAR	**0.59**	0.37	0.68
Risk-free interest rate (%)	**1.22**	1.22	1.22
Expected life of the SAR (years)	**4.70**	4.21	3.70
Dividend rate (%)	**6.20**	6.20	6.20
Volatility in the price of the Corporation's shares (%)	**23.0**	23.0	23.0

Cash Flows

Operating Activities

Cash provided by operating activities for the three months ended December 30, 2014 totalled $416 (2013 - $1,441), a decrease of $1,025 compared to the same period last year. For the year ended December 30, 2014 cash used by operating activities totalled $3,002 (2013 – cash provided by operating activities totalled $7,897), a decrease of $10,899 compared to the same period in 2013. The decreases in operating cash flows were the result of lower net income as well as decreases in non-cash working capital.

Investing Activities

For the three months and year ended December 30, 2014, capital spending, net of dispositions, was $2,619 and $5,331, respectively, compared to net additions of $1,125 and $2,964, respectively, for the three months and year ended December 30, 2013.

Capital spending, net of dispositions, for the year ended December 30, 2014 included $383 (2013 – $240) for new kegs, $1,139 (2013 – $1,279) for brewing and packaging equipment, $nil (2013 – $303) for glass containers, $293 (2013 – $109) for the purchase of new mobile equipment, $187 (2013 – $142) for the purchase of office furniture and equipment, $3,246 (2013 – $883) relating to building improvement, $nil (2013 - $2) for leasehold improvements and $83 (2013 - $6) for the purchase of intangible assets.

Financing Activities

Cash used in financing activities for the three months ended December 30, 2014 increased by $165 compared to the same period in 2013. This is due to the increased dividend payment as the number of shares outstanding increased due to the share issuance.

Cash provided by financing activities for the twelve months ended December 30, 2014 increased by $14,397 compared with the same period in 2013. The increase is the result of the proceeds received from the share offering along with the absence of long term debt repayments.

On February 14, 2013, Big Rock signed a commitment letter for a $12 million revolving operating loan facility which is available to payout previous borrowings as well as for general operating purposes and funding capital expenditure requirements. For prime-based loans, interest will be payable at the financial institution's prime plus 1.0 percent; for guaranteed notes, the acceptance fee is payable at 2.75 percent; and for letters of credit, the fee is payable at 2 percent with a minimum fee of $100. The operating loan matures after a term of 3 years and any undrawn amounts under the facility will expire on May 31, 2016, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

As at December 30, 2014, nil (December 30, 2013 - nil) was outstanding on the facility.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios: EBITDA to long-term debt; and EBITDA to interest, debt repayments and dividends. As at December 30, 2014, Big Rock was in compliance with all covenants.

The calculation of EBITDA is a non-GAAP measure, whose nearest GAAP measure is net income with the reconciliation between the two as follows:

$ thousands	Dec. 30 2014	Dec. 30 2013
EBITDA	$ 2,985	$ 6,616
Deduct: Depreciation & Amortization	2,072	3,157
Earnings before interest and taxes	913	3,459
Deduct: Interest	(36)	9
Deduct: Income tax charge	325	899
Net income	$ 624	$ 2,551

On March 13, 2015, Big Rock signed a commitment letter to replace the existing $12m revolving facility with a $5 million revolving operating loan facility together with a $6 million 5-year term loan facility which is available for general operating purposes and funding capital expenditure requirements. For prime-based loans, interest will be payable at the financial institution's prime plus 2.0–2.75 percent; for guaranteed notes, the acceptance fee is payable at 3.75–4.50 percent; and for letters of credit, the fee is payable at 3.00–3.75 percent with a minimum fee of $100. Both facilities mature after a term of 5 years and any undrawn amounts under the facility will expire on March 13, 2020, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility will impose a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios.

Cash Dividends

Each quarter the Board of Directors sets the cash dividend per share, if any, considering the Corporation's requirements for capital expenditures, debt servicing, and current operating results compared to budget as well as projected net incomes.

The amount of dividends declared depends upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins during seasons when sales volumes and income are traditionally low, debt repayments, capital expenditures and the actual cash amounts available for distribution by the Corporation.

The following cash dividends were declared by the Corporation in 2014 and 2013:

	2014			2013		
	Record Date	Payment Date	Per Share	Record Date	Payment Date	Per Share
March	31-Mar-14	15-Apr-14	$0.20	29-Mar-13	15-Apr-13	$0.20
June	30-Jun-14	15-Jul-14	$0.20	28-Jun-13	15-Jul-13	$0.20
September	30-Sep-14	15-Oct-14	$0.20	30-Sep-13	15-Oct-13	$0.20
December	31-Dec-14	15-Jan-15	$0.20	31-Dec-13	15-Jan-14	$0.20
Total			$0.80			$0.80

Dividends for the three months and year ended December 30, 2014 totalled $1,375 ($0.20 per share) and $5,342 ($0.80 per share) respectively, compared to $1,214 ($0.20 per share) and $4,855 ($0.80 per share, respectively, for the three months and year ended December 30, 2013.

In determining actual dividend levels, the Board will consider the financial performance, capital plans, growth opportunities, expectations of future economic conditions and other factors. Since the level of dividends is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future dividends cannot be assured. Dividends are subject to the risk factors described herein and in the Corporation's public disclosure documents including its current Annual Information Form.

Cash dividends are not guaranteed and will fluctuate with performance of the business.

CRITICAL ACCOUNTING ESTIMATES

Share-based compensation

The Corporation recognizes compensation expense on options with no cash settlement feature at time of grant as well as on changes in the fair value of any outstanding SARs at each reporting date. Share-based compensation expenses with respect to options recognized during the three months and year ended December 30, 2014 was $nil (2013 - $nil) and $204 (2013 - $191), respectively, while, with respect to SARs, recoveries of $315 (2013 – expense of $276) and $394 (2013 – expense of $449) were recognized during the three months and year ended December 30, 2014, respectively.

Property, Plant and Equipment

Accounting for PP&E involves making estimates of the life of the assets, selecting an appropriate method of depreciation and determining whether an impairment of the assets exists. These assessments are critical due to their potential impact on income.

At each date of the statement of financial position, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating-unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Keg Deposits

The Corporation requires that customers pay a deposit for each keg purchased, which is subsequently refunded to customers via invoice credits or cash payments when kegs are returned and these deposits are reflected as a liability on the Corporation's balance sheet. In the normal course of business there are a percentage of kegs that are never returned for refund. As a result, the Corporation performs an analysis based on factors such as total kegs produced, current inventory rates and average keg turnover. In addition, return percentages are calculated and tracked to estimate an average keg turnover rate. Together this information is used to estimate a reasonable keg deposit liability at each reporting date. Any adjustments required to the keg liability account are applied to revenues.

RISKS RELATED TO THE BUSINESS AND INDUSTRY

Big Rock operates in an environment that is both highly competitive and highly government regulated. Due to the ongoing shifting effects of competition, the ability to predict future sales and profitability with any degree of certainty is limited. It is also difficult to anticipate changes in government regulation and legislation and the impact such changes might have on the Corporation's operations.

There is a continuing entry of premium and super premium beers from other craft breweries and the larger national and multi-national brewers with products that compete directly with craft beers. A large number of imports are also being sold in the same markets where Big Rock competes for business.

With the large choice of craft brands now available, and the advertising initiatives of pseudo-craft divisions of the major breweries, it is likely that competitive pressures on price will continue. As a result, the selling price may vary more frequently.

Big Rock requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. In Alberta, Big Rock's largest market, the Alberta Gaming and Liquor Commission provides the necessary licensing approvals. Other licenses have been obtained from various other government authorities. Management believes that Big Rock is in compliance with all licenses, permits, and approvals.

Each provincial authority has its own tax or "mark-up" structure by which fees are levied on brewers' sales within that jurisdiction. These regulations may be changed from time to time, which may positively or negatively impact Big Rock's profitability.

In 2012, the Alberta government commenced a review of its mark-up rates, but no changes to existing regulations have yet been announced. As Alberta is Big Rock's predominant market, any changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

Financial Risk

The Corporation's principal financial instruments are its outstanding amounts drawn from its credit facilities, which, after cash flow from operations, are its main source of financing. Other financial assets and liabilities arising directly from its operations and corporate activities include cash, accounts receivable, bank indebtedness, accounts payable, long term debt and distributions payable. The primary risks arising from the Corporation's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, each of which are discussed below.

Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Corporation incurring a financial loss.

Big Rock has a concentration of credit risk because a majority of its accounts receivable are from provincial liquor boards, under provincially regulated industry sale and payment terms. The Corporation is not exposed to significant credit risk as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. While substantially all of Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period. The majority of product sold outside of Canada, which is included in GST and other receivables, is done so on a 'Cash on Delivery' basis with no credit risk.

Credit risk associated with the potential non-performance by financial instrument counterparties has been minimized through the careful selection of vendors, the development of long term vendor relationships and the selective use of written arrangements to guarantee supply and payment terms.

Liquidity Risk

Big Rock's principal sources of liquidity are its cash flows from operations and existing or new credit facilities. Liquidity risk is mitigated by maintaining banking facilities, continuously monitoring forecast and actual cash flows and, if necessary, adjusting levels of dividends to shareholders and capital spending to maintain liquidity.

Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Corporation's operations.

Commodity Price Risk

The Corporation is exposed to commodity price risk in the areas of utilities (primarily electricity and natural gas), malted barley, water, glass and aluminum, where fluctuations in the market price or availability of these items could impact Big Rock's cash flow and production. To minimize the impact of this risk, the Corporation enters into contracts which secure supply and set pricing to manage the exposure to availability and pricing.

Big Rock's profitability depends on the selling price of its products to provincial liquor boards, which set minimum price thresholds. Although prices are otherwise controlled by the Corporation, they are subject to such factors as regional supply and demand, and to a lesser extent inflation and general economic conditions. As beer and cider sales are the only source of revenue for the Corporation, a 5% increase or decrease in these prices will result in a corresponding increase or decrease in revenue.

Interest Rate Risk

Big Rock is exposed to interest rate risk on the variable rate of interest incurred on the amounts due under operating and credit facilities and on interest earned on bank deposits. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates.

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation.

The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation's long-term debt does not change as interest rates change.

The weighted average interest rate incurred by the Corporation in the three months and year ended December 30, 2014 was 0.00% (2013 – 4.23%) and 3.23% (2013 – 4.43%), respectively.

Foreign Exchange Risk

The Corporation currently transacts with only a few foreign suppliers providing small amounts of goods and thus has limited exposure to risk due to variations in foreign exchange rates. The Corporation has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors foreign exchange exposure.

The Corporation does not have any significant foreign currency denominated monetary liabilities.

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 13, 2015 that is available on www.sedar.com.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

As at December 30, 2014, the Corporation was a party to the following contracts:

- Effective April 1, 2014, the Corporation locked in an agreement with a natural gas retailer to provide natural gas at a fixed price of $4.35 per gigajoule for a period of 39 months, ending on July 1, 2017.

- In the fourth quarter of 2014, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $147, of which $41 was payable at December 30. These materials, which will be used in the normal course of business, are expected to be received during the first and second quarters of 2015.

- During 2014, Big Rock entered into agreements for the purchase of machinery and equipment for Big Rock's new Vancouver brewery for a total cost of approximately $195, of which $53 was payable at December 30. This machinery and equipment, which will be used in the normal course of business, is expected to be received during the first quarter of 2015.

- Big Rock has agreed upon several contracts for the supply of raw materials ranging from $545 to $840 per metric tonne with commitments extending out to December 2015. These raw materials will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

- In August 2010, Big Rock entered into an agreement with an electricity retailer to provide electricity for a period of five years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

- In February 2014, Big Rock entered into an agreement with an electricity retailer to provide electricity for a period of 40 months beginning September 1, 2015 and ending on January 1, 2019 at a fixed rate of $65.08 per megawatt hour.

LEASES

Big Rock has entered into operating lease agreements for storage facilities, warehouses, breweries, and retail locations. The remaining terms of these leases range between 4 and 10 years. Certain leases contain extension and renewal options.

Future minimum lease payments due as at December 30, 2014 are:

Within one year	$ 441
After one year but not more than five years	2,104
More than five years	2,528
	$ 5,073

In 2014, lease payments of $163 (2013 - $22) were recognized as expense in the statement of comprehensive income.

SUBSEQUENT EVENTS

In March 2015, Big Rock entered into an operating lease for premises in Etobicoke, ON.

SEGMENTED INFORMATION

The Corporation conducts its business as a single operating segment being the producer of craft beer and cider in Canada. All property, plant and equipment are situated in Canada. Investment revenue was earned from domestic sources.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS Policies

The Corporation's consolidated financial statements as at and for the years ended December 30, 2014 and 2013 have been prepared using the IFRS standards and interpretations currently issued. Accounting policies currently adopted under IFRS are subject to change as a result of new standards being issued with an effective date of December 30, 2014 or prior. A change in an accounting policy used may result in material changes to Big Rock's reported financial position, results of operations and cash flows.

Future accounting pronouncements

The IASB has issued the following pronouncements:

- IFRIC 21 *Levies* has been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. This standard provides guidance on when to recognize a liability for a levy imposed by a government whereby a liability is recognized progressively if an obligating event occurs over a period of time and immediately in full where obligation is triggered on reaching a minimum threshold. The Corporation does not expect any impact to the financial statements on adoption of this standard.

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments include clarification of the meaning of "currently has a legally enforceable right to set-off" and may change assets and liabilities eligible for net presentation. The Corporation does not expect any impact to the financial statements on adoption of this standard.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments delete the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB added two disclosure requirements: to provide additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal and to provide information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The Corporation does not expect any impact to the financial statements on adoption of this standard.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2018. The amended standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard requires classification of financial assets on the basis of the reporting entity's business model objectives for managing those financial assets and the characteristics of the contractual cash flows. As a result, both the classification and measurement of certain financial assets may change. Additionally, for liabilities designated at fair value through profit and loss, fair value changes attributable to changes in credit risk will be presented through other comprehensive income instead of net income. The Corporation is currently assessing what impact the application of this amendment will have on the financial statements of the Corporation.

- IFRS 15 *Revenue from Contracts with Customers* has been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2017. This standard establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard also provides a model for the recognition and measurement of sales of some non-financial assets (eg. disposals of property, plant and equipment). The Corporation is currently assessing what impact the application of this standard will have on the financial statements of the Corporation.

Early adoption of the above standards, amendments and interpretations is permitted. Big Rock has chosen not to early adopt.

DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management under the supervision of, and with the participation of, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation, have designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of December 30, 2014.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's management under the supervision of, and with the participation of, the CEO and CFO, has designed and implemented internal controls over financial reporting ("ICFR"), as defined under NI 52-109. The Corporation's management used as its framework the Internal Control—Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission.

The process used involved four steps as follows: establishment of a foundation, which involved assessing the tone at the top, the organization structure and baseline of current internal controls; design and execution, which involved prioritizing risk, identifying controls and evaluation of control effectiveness; assess and report, which involved summarizing and reporting on the findings; and conclusion on controls supported by documented evidence.

The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with GAAP, focusing in particular on controls over information contained in the annual and interim financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Corporation's controls over financial reporting for the year ended December 30, 2014, that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Based upon their evaluation of these controls as of December 30, 2014, the CEO and CFO have concluded that the Corporation's ICFR were effective as at that date. No material weaknesses existed within the Corporation's ICFR as of December 30, 2014. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

OUTLOOK

Competition continues unabated at the value-priced end of the beer spectrum and for premium craft beer, particularly in Alberta, which, unlike most other Canadian jurisdictions, has relatively few barriers to entry for out-of-province producers. This competition particularly affects Big Rock's most mature brands, Grasshopper and Traditional, and is expected to continue.

To diversify revenue base, management has identified opportunities to establish a local presence in two other Canadian provinces, BC and Ontario. These markets have been targeted as they are especially responsive to locally brewed, craft beer. The BC brewery, brewpub and retail space is expected to be operational by April 1, 2015, while management expects that the Ontario brewery and separate brewpubs will open in early 2016. Management plans to evaluate other Canadian markets for investment potential.

In response to consumer-driven demand, management will continue to invest in targeted marketing opportunities to create brand awareness and to emphasize its innovation, which will provide additional great beers to the Big Rock portfolio.

In addition, management will continue to monitor and adjust the selling prices of its products, and will continue to actively manage operating costs, assess regional profitability and focus on operating efficiencies. Management also plans to continue to introduce new permanent brands in 2015 and beyond.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Corporation. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

All statements, other than statements of historical fact included in the MD&A, may be forward-looking information. Forward-looking information are not facts, but only predictions and generally can be identified by the use of statements that include words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are not guarantees of our future performance and are subject to known and unknown risks, uncertainties and other factors that may cause Big Rock's actual results or events to differ materially from those anticipated in such forward-looking statements.

Big Rock believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular this MD&A contains forward-looking statements pertaining to the following:

- intention to continue to pay quarterly dividends;
- expected volumes;
- projections of market prices and costs;
- treatment under governmental regulatory and taxation regimes;
- supply and demand of Big Rock's products;
- the expected April 1, 2015 operating date of the Corporation's Vancouver brewery and restaurant; and
- the Corporation's plans to establish a brewery and a brewpub in Ontario and the anticipated opening dates there.

With respect to forward-looking statements listed above and contained in this MD&A, Big Rock has made assumptions regarding, among other things, the following:

- financial performance and capital plans will not affect the ability to pay dividends;
- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates;
- there will be no supply issues with Big Rock's vendors; and
- construction costs associated with the planned Ontario facilities will fall within the range budgeted by the Corporation.

Big Rock's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Corporation's 2014 Annual Information Form (as filed on SEDAR on March 13, 2015). Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Big Rock does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

ADDITIONAL INFORMATION

Additional information on the Corporation, including the Annual Information Form for the year ended December 30, 2014, can be found on SEDAR at www.sedar.com.

Information about Big Rock can also be found on Big Rock's corporate website at www.bigrockbeer.com.

March 13, 2015

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Big Rock Brewery Inc. and all information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and has ensured consistency with the financial information presented elsewhere in Management's Discussion and Analysis.

To assist management in the discharge of these responsibilities, the Corporation has established an organizational structure that provides appropriate delegation of authority, division of responsibilities, and selection and training of properly qualified personnel. Management is also responsible for the development of internal controls over the financial reporting process.

The Board of Directors is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed entirely of independent directors. The Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Ernst & Young LLP on behalf of the shareholders in accordance with generally accepted auditing standards. Their report outlines the nature of their audits and expresses their opinion on the consolidated financial statements.

(signed)
Robert Sartor
President and Chief Executive Officer

(signed)
Barbara E. Feit
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Big Rock Brewery Inc.

We have audited the accompanying consolidated financial statements of Big Rock Brewery Inc., which comprise the consolidated statements of financial position as at December 30, 2014 and 2013, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Big Rock Brewery Inc. as at December 30, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

Calgary, Canada

March 13, 2015

Chartered Accountants

BIG ROCK BREWERY INC.
Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars, except per share amounts)

	Year ended	
	December 30, 2014	December 30, 2013
Net revenue (Notes 3.2 and 4)	$ 36,755	$ 41,587
Cost of sales (Notes 5 and 23)	18,930	20,260
Gross profit	17,825	21,327
Expenses		
Selling expenses (Note 6)	12,335	12,910
General and administrative (Notes 7 and 23)	4,489	4,821
Depreciation and amortization	286	314
Operating expenses	17,110	18,045
Operating profit	715	3,282
Finance expenses (income) (Note 8)	(36)	9
Other income	351	286
Other expenses	153	109
Income before income taxes	949	3,450
Current income tax expense (Note 9)	279	2,485
Deferred income tax expense (recovery) (Note 9)	46	(1,586)
Net income and comprehensive income for the period	$ 624	$ 2,551

Net income per share (Note 10)		
Basic and diluted	$ 0.09	$ 0.42

See accompanying notes to the consolidated financial statements

BIG ROCK BREWERY INC.
Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	December 30, 2014	December 30, 2013
ASSETS		
Non-current assets		
Property, plant and equipment (Note 11)	$ 38,322	$ 35,142
Intangible assets (Note 12)	165	108
	38,487	35,250
Current		
Inventories (Note 13)	3,813	2,983
Accounts receivable (Notes 14 and 22)	1,473	1,353
Prepaid expenses and other (Note 15)	669	754
Current taxes receivable (Note 9)	2,241	—
Cash	1,484	2,317
	9,680	7,407
Total assets	$ 48,167	$ 42,657
LIABILITIES AND SHAREHOLDERS' EQUITY		
EQUITY		
Shareholders' capital (Note 16)	$ 113,121	$ 100,109
Contributed surplus (Notes 16 and 17)	1,083	892
Accumulated deficit	(75,761)	(71,043)
	38,443	29,958
LIABILITIES		
Non-current		
Share-based payments (Note 17)	216	687
Deferred income taxes (Note 9)	4,550	4,745
	4,766	5,432
Current		
Accounts payable and accrued liabilities (Notes 19 and 22)	3,583	4,100
Dividends payable (Notes 20 and 22)	1,375	1,214
Current taxes payable (Note 9)	—	1,953
	4,958	7,267
Commitments (Note 25)		
Total liabilities and shareholders' equity	$ 48,167	$ 42,657

See accompanying notes to the consolidated financial statements

	"signed"	**"signed"**
On behalf of the Board:	John Hartley	Michael Kohut
	Director	Director

BIG ROCK BREWERY INC.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Year ended	
	December 30, 2014	December 30, 2013
OPERATING ACTIVITIES		
Net income for the period	$ 624	$ 2,551
Items not affecting cash:		
Depreciation and amortization	2,072	3,157
Loss (gain) on sale of assets	63	(13)
Share-based compensation	(190)	640
Deferred income tax expense (recovery)	46	(1,586)
Net change in non-cash working capital related to operations (note 24)	(5,617)	3,148
Cash provided (used) by operating activities	(3,002)	7,897
FINANCING ACTIVITIES		
Dividend payments	(5,181)	(4,855)
Principal repayments of long-term debt	—	(2,042)
Exercise of stock appreciation rights	(77)	—
Proceeds from share issuance	12,633	—
Exercise of options	125	—
Cash provided by (used in) financing activities	7,500	(6,897)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,503)	(2,992)
Purchase of intangibles	(83)	(6)
Proceeds from sale of equipment	255	34
Cash used in investing activities	(5,331)	(2,964)
Net decrease in cash	(833)	(1,964)
Cash, beginning of year	2,317	4,281
Cash, end of year	$ 1,484	$ 2,317

Supplemental cash-flow information		
Cash interest paid	$ 18	$ 52
Cash taxes paid	4,473	958

See accompanying notes to the condensed consolidated financial statements

BIG ROCK BREWERY INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2012	$ 100,109	$ 701	$ (68,739)	$ 32,071
Stock options exercised	—	—	—	—
Share-based payments	—	191	—	191
Total comprehensive income for the year ended December 30, 2013	—	—	2,551	2,551
Dividends declared for year ended December 30, 2013 (Note 20)	—	—	(4,855)	(4,855)
Balance as at December 30, 2013	100,109	892	(71,043)	29,958
Stock options exercised	138	(13)	—	125
Share-based payments	—	204	—	204
Issuance of shares for cash	12,874	—	—	12,874
Total comprehensive income for the year ended December 30, 2014	—	—	624	624
Dividends declared for the year ended December 30, 2014 (Note 20)	—	—	(5,342)	(5,342)
Balance as at December 30, 2014	$ 113,121	$ 1,083	$ (75,761)	$ 38,443

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

Big Rock Brewery Inc. ("Big Rock" or the "Corporation") is a publicly listed Corporation incorporated in Canada with limited liability under the legislation of the Province of Alberta and its shares are listed on the Toronto Stock Exchange and trade under the symbol "BR".

Big Rock is a regional producer of premium, all-natural craft beers and cider which are sold in six provinces and two territories in Canada, as well as exported to Korea. The head office, principal address and records office of the Corporation are located at 5555 – 76th Avenue SE, Calgary, Alberta, T2C 4L8.

These consolidated financial statements (the "Financial Statements") include the accounts of Big Rock Brewery Inc. and all its wholly owned subsidiaries. Subsidiaries are those enterprises controlled by the Corporation. The following companies have been consolidated with the Big Rock financial statements:

	Registered	Holding	Functional Currency
Subsidiary			
Big Rock Brewery Inc.	Alberta	Parent Company	Canadian dollar
Big Rock Brewery Operations Corp.	Alberta	100%	Canadian dollar
Big Rock Brewery Limited Partnership	Alberta	100%	Canadian dollar

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions, are eliminated in preparing the Financial Statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2.2 Basis of presentation

These Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The Financial Statements have been prepared on the historical cost basis, presented in Canadian dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated.

2.3 Future accounting pronouncements

The IASB has issued the following pronouncements:

- IFRIC 21 *Levies* has been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. This standard provides guidance on when to recognize a liability for a levy imposed by a government whereby a liability is recognized progressively if an obligating event occurs over a period of time and immediately in full where obligation is triggered on reaching a minimum threshold. The Corporation does not expect any impact to the financial statements on adoption of this standard.

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments include clarification of the meaning of “currently has a legally enforceable right to set-off” and may change assets and liabilities eligible for net presentation. The Corporation does not expect any impact to the financial statements on adoption of this standard.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments delete the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB added two disclosure requirements: to provide additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal and to provide information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The Corporation does not expect any impact to the financial statements on adoption of this standard.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2018. The amended standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard requires classification of financial assets on the basis of the reporting entity’s business model objectives for managing those financial assets and the characteristics of the contractual cash flows. As a result, both the classification and measurement of certain financial assets may change. Additionally, for liabilities designated at fair value through profit and loss, fair value changes attributable to changes in credit risk will be presented through other comprehensive income instead of net income. The Corporation is currently assessing what impact the application of this amendment will have on the financial statements of the Corporation.

- IFRS 15 *Revenue from Contracts with Customers* has been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2017. This standard establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard also provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The Corporation is currently assessing what impact the application of this standard will have on the financial statements of the Corporation.

Early adoption of the above standards, amendments and interpretations is permitted. Big Rock has chosen not to early adopt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the Financial Statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions and estimates are based on historical experience, business trends and all available information that management considers relevant at the time of the preparation of the Financial Statements. However, future events and their effects cannot be anticipated with certainty and so as confirming events occur, actual results could ultimately differ from assumptions and estimates. Such differences could be material.

The following discusses the most significant accounting judgments and estimates that Big Rock has made in the preparation of these Financial Statements. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Significant judgments

Income taxes payable
Tax legislation, regulation and interpretation require judgment and may have a bearing on the amounts recorded in the tax provision and income taxes payable. Big Rock's tax filings are continually subject to review by Canada Revenue Agency ("CRA") who makes the final determination of the actual amounts of taxes payable or receivable. This could have an impact on the current and future tax expenses.

Deferred Income taxes
Deferred tax liabilities require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

Impairment assessment
Impairment indicators include a significant decline in an asset's market value, significant changes in the technological, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned use of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

Assumptions and critical estimates

Keg deposit liability
In determining the liability for return of keg deposits, Big Rock estimates that a portion of circulating kegs will never be returned for refund. Big Rock estimates that approximately 98.7% of kegs are returned for refund in each turn of inventory. Management recognises a liability for one turn plus an additional amount, estimated as 10% of one turn, for very old kegs.

As at December 30, 2014, a balance of $255 (2013 - $247) was included in Accounts payable and Accrued liabilities in respect of the keg deposit liability.

Sensitivity analysis
An increase in the quantity of old kegs returned of 10% of one turn would result in an additional liability and charge to net income of $20.

Property, plant and equipment
Calculation of the net book value of property, plant and equipment requires Big Rock to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including

(In thousands of Canadian dollars, unless otherwise stated)

changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the consolidated balance sheets.

Sensitivity analysis
A 10% decrease in useful lives of Big Rock's property, plant and equipment would result in an additional charge to net income of $32.

3.2 Revenue recognition

Big Rock recognizes net sales revenue on product sales at the time the product is shipped and when the following conditions exist: title has passed to the purchaser according to the shipping terms, the price is fixed and reasonably determinable, and collection of the sales proceeds is reasonably assured.

Product which has passed its expiration date for freshness, or has been damaged, and is returned by distributors is accepted and destroyed.

3.3 Accounts receivable

Substantially all of Big Rock's accounts receivable are from provincial government liquor authorities which issue weekly or monthly remittances on account. Given that terms are set and receivables over 60 days generally average between three and five percent of total amounts owing, the Corporation has a policy of reviewing, reconciling and, if necessary, writing off balances older than one year.

3.4 Inventories

Big Rock categorizes inventories as raw materials (materials and supplies to be consumed in the production process), brews in progress (in the process of production for sale), finished product (held for sale in the ordinary course of business), consignment product (consigned to provincial warehouses for sale) and resale goods (to be sold in the ordinary course of business in the dry-goods store).

Inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost method.

3.5 Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PP&E, less their estimated residual value, using the straight line method over the following expected useful lives:

Buildings	35–40 years
Machinery and equipment	5-40 years
Mobile equipment	6–10 years
Office furniture and equipment	5–15 years
Leasehold improvements	10–40 years
Returnable containers	10 years

Depreciation of these assets commences when the assets are ready for their intended use.

An item of PP&E is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Corporation conducts an annual assessment of the residual balances and useful lives being used for PP&E and any changes arising from the assessment are applied by the Corporation prospectively.

3.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an intangible asset consists of the purchase price plus any costs directly attributable to bringing the asset to the condition necessary for its intended use.
Amortization is provided at rates calculated to write off the cost of intangible assets, less their estimated residual values, using the straight line method over the following expected useful lives:

Computer software	3 years
Intellectual property	10 years
Website	6 years

Amortization of these assets commences when the assets are ready for their intended use.

An intangible asset is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Corporation conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Corporation prospectively.

3.7 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Corporation receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or for equity-linked cash payments ("cash-settled transactions").

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

Cash-settled transactions

The costs of cash-settled transactions with employees are initially measured by reference to the fair value at the date on which they are granted.

The costs of cash-settled transactions are recognized, together with a corresponding increase in liability, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense reflects the Corporation's best estimate of the difference between the grant price of the instrument and the price of the Corporation's shares at the date the instrument is ultimately exercised. At the end of each reporting period, the fair value of the instruments are recorded as a liability on the statement of financial position and recorded as compensation expense within general and administrative expenses.

3.8 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.9 Keg deposits

Big Rock requires that customers pay deposits for kegs purchased which are reflected as a liability on the Corporation’s consolidated statement of financial position. The deposits are subsequently refunded to customers via invoice credits or cash payments when kegs are returned. In the normal course of business, there are a percentage of kegs which are never returned for refund. As a result, Big Rock performs an analysis based on factors such as total kegs produced, current inventory rates and average keg turnover. In addition, return percentages are calculated and tracked to estimate an average keg turnover rate. Together, this information is used to estimate a keg deposit liability at each reporting date. Any adjustments required to the keg liability account are recorded through revenue.

3.10 Income per share

The basic income per share is computed by dividing the net income by the weighted average number of common shares outstanding during the period. The diluted income per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options that are used to purchase common shares at the average market price during the period.

3.11 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through income.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary. At December 30, 2014, the Corporation has not classified any financial assets as FVTPL, available-for-sale or held-to-maturity.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3.12 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income.

3.13 Impairment of non-financial assets

At each date of the statement of financial position, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(In thousands of Canadian dollars, unless otherwise stated)

3.14 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

3.15 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Corporation is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

4. REVENUE

	Year ended	
	Dec. 30 2014	Dec. 30 2013
Gross Product Revenue	$ 46,887	$ 52,311
Excise Taxes	(4,180)	(4,467)
Alberta Gaming and Liquor Commission (“AGLC”) Commissions	(5,952)	(6,257)
Net Revenue	$ 36,755	$ 41,587

Revenue for Alberta represents gross sales to the provincial liquor control board less excise taxes and commissions arriving at the net proceeds to Big Rock. Revenue for other provincial jurisdictions represents net sales to the liquor control boards, after excise taxes and commissions. Excise taxes are assessed on beer production at tiered rates up to $31.22 per hectolitre, and provincial liquor control board commissions cover distributions and other service charges.

(In thousands of Canadian dollars, unless otherwise stated)

5. COST OF SALES

The cost of sales of the Corporation is broken down into its cash and non-cash components as follows:

	Year ended Dec. 30 2014	Dec. 30 2013
Operating expenses	$ 17,144	$ 17,417
Depreciation and amortization	1,786	2,843
Cost of sales	$ 18,930	$ 20,260

6. SELLING EXPENSES

The selling expenses for the Corporation are broken down as follows:

	Year ended Dec. 30 2014	Dec. 30 2013
Delivery and distribution costs	$ 3,120	$ 3,314
Salaries and benefits	3,270	3,739
Marketing	972	1,158
Regional sales	3,857	3,740
Community sponsorship and other	1,116	959
Selling expenses	$ 12,335	$ 12,910

7. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the Corporation are broken down as follows:

	Year ended Dec. 30 2014	Dec. 30 2013
Salaries and benefits (1)	$ 2,134	$ 2,813
Professional fees	644	658
Reporting and filing fees	108	105
Insurance	207	210
Building maintenance and taxes	503	506
Bank charges	94	26
Office, administrative and other	799	503
General and administrative expenses	$ 4,489	$ 4,821

(1) For the twelve months ended December 30, 2014 salaries and benefits included stock option expense of $204 (2013 – $191). Also included, for the twelve months ended December 30, 2014, is a stock appreciation rights recovery of $394 (2013 – expense of $449).

(In thousands of Canadian dollars, unless otherwise stated)

8. FINANCE EXPENSES (INCOME)

The finance expenses (income) for the Corporation are broken down as follows:

	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Interest on long-term debt	$ 11	$ 34
Interest on operating facility	(47)	(25)
Finance expenses (income)	$ (36)	$ 9

9. INCOME TAXES

Income tax expense is comprised of the following:

	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Current tax expense	$ 279	$ 2,485
Deferred tax expense (recovery)	46	(1,586)
Income tax expense	$ 325	$ 899

The following table reconciles the theoretical income tax expense using a weighted average Canadian federal and provincial rate of 25.17% (2013 – 25.19%) to the reported tax expense. The reconciling items represent, aside from the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements, in accordance with IFRS.

	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Income before income taxes	$ 949	$ 3,450
Income tax expense at statutory rate of 25.17% (2013 – 25.19%)	239	869
Effect on taxes of:		
Share-based compensation expenses	51	48
Non-deductible expenses	26	20
True-up of opening timing differences	10	(54)
Impact of rate change on temporary differences	(3)	22
Other	2	(6)
Income tax expense	$ 325	$ 899

The movement in deferred income tax during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Property, plant and equipment	Share issue costs	Deferral of partnership income	Other	Total
As at December 30, 2013	$ 4,520	$ (20)	$ 441	$ (196)	$ 4,745
Charged/(credited) to the Statement of comprehensive income	—	52	(148)	142	46
Credited to equity	—	(241)	—	—	(241)
As at December 30, 2014	$ 4,520	$ (209)	$ 293	$ (54)	$ 4,550

(In thousands of Canadian dollars, unless otherwise stated)

10. INCOME PER SHARE

The calculation of income per share for the relevant periods is based on the following data:

Basic	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Net income	$ 624	$ 2,551
Shares outstanding, beginning of the year	6,068,678	6,068,678
Weighted average # of shares issued during the year	586,568	—
Basic # shares outstanding during the year	6,655,246	6,068,678
Basic income per share	$ 0.09	$ 0.42

Diluted	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Net income	$ 624	$ 2,551
Basic # shares outstanding during the year	6,655,246	6,068,678
Weighted average # of shares issuable on dilutive options, during the year	41,150	29,675
Diluted # shares outstanding during the year	6,696,395	6,098,353
Diluted income per share	$ 0.09	$ 0.42

(In thousands of Canadian dollars, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

The Property, plant and equipment for the Corporation is broken down as follows:

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable containers	Total
Cost								
As at December 30, 2012	$ 8,365	$ 11,070	$ 20,800	$ 645	$ 410	$ 212	$ 2,873	$ 44,375
Additions	—	883	1,279	143	142	2	543	2,992
Disposals	—	—	—	(125)	—	—	(2,088)	(2,213)
As at December 30, 2013	8,365	11,953	22,079	663	552	214	1,328	45,154
Additions	—	3,246	1,389	293	192	—	383	5,503
Disposals	—	—	(916)	(67)	(7)	—	—	(990)
As at December 30, 2014	$ 8,365	$ 15,199	$ 22,552	$ 889	$ 737	$ 214	$ 1,711	$ 49,667

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable containers	Total
Accumulated depreciation								
As at December 30, 2012	—	$ 827	$ 6,480	$ 149	$ 140	$ 46	$ 1,456	$ 9,098
Charge for the year	—	281	1,463	192	52	15	1,103	3,106
Eliminated on disposals	—	—	—	(104)	—	—	(2,088)	(2,192)
As at December 30, 2013	—	1,108	7,943	237	192	61	471	10,012
Charge for the year	—	302	1,382	110	83	16	112	2,005
Eliminated on disposals	—	—	(635)	(35)	(2)	—	—	(672)
As at December 30, 2014	—	$ 1,410	$ 8,690	$ 312	$ 273	$ 77	$ 583	$ 11,345

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable containers	Total
Net book value								
As at December 30, 2013	$ 8,365	$ 10,845	$ 14,136	$ 426	$ 360	$ 153	$ 857	$ 35,142
As at December 30, 2014	$ 8,365	$ 13,789	$ 13,862	$ 577	$ 464	$ 137	$ 1,128	$ 38,322

For the years ended December 30, 2014 and 2013, there were no indicators of impairment in the carrying value of the Corporation’s PP&E. Accordingly no provisions have been recorded in these Financial Statements.

(In thousands of Canadian dollars, unless otherwise stated)

12. INTANGIBLE ASSETS

The Corporation's intangible assets are broken down as follows:

	Computer software	Intellectual property	Website costs	Total
Cost				
As at December 30, 2012	$ 171	$ 170	$ 22	$ 363
Additions	6	—	—	6
As at December 30, 2013	177	170	22	369
Additions	83	—	—	83
As at December 30, 2014	$ 260	$ 170	$ 22	$ 452

	Computer software	Intellectual property	Website costs	Total
Accumulated amortization				
As at December 30, 2012	$ 169	$ 57	$ 9	$ 235
Charge for the year	4	19	3	26
As at December 30, 2013	173	76	12	261
Charge for the year	4	19	3	26
As at December 30, 2014	$ 177	$ 95	$ 15	$ 287

	Computer software	Intellectual property	Website costs	Total
Net book value				
As at December 30, 2013	$ 4	$ 94	$ 10	$ 108
As at December 30, 2014	$ 83	$ 75	$ 7	$ 165

For the years ended December 30, 2014 and 2013, there were no indicators of impairment in the carrying value of the Corporation's intangible assets. Accordingly no provisions have been recorded in these Financial Statements.

13. INVENTORIES

The inventories for the Corporation are categorized as follows:

	Dec. 30 2014	Dec. 30 2013
Raw materials and glass containers	$ 1,229	$ 739
Brews in progress	734	754
Finished product	1,714	1,384
Consignment product	68	64
Dry goods store (resale goods)	68	42
Total Inventories	$ 3,813	$ 2,983

During the year ended December 30, 2014, charges were recorded to income relating to obsolete, damaged or unsellable finished goods inventory of $156 (2013 - $307) and relating to promotional and resale goods and damaged packaging materials inventory of $64 (2013 - $191).

There were no reversals of amounts previously charged to income in respect of write-downs of inventory for the years ended December 30, 2014 and 2013.

Finished goods inventory includes $125 (2013 – $166) of depreciation charges on production equipment used to convert raw materials to finished goods.

(In thousands of Canadian dollars, unless otherwise stated)

14. ACCOUNTS RECEIVABLE

The Corporation's receivables arise from three main sources: trade receivables from the sale of beer and cider to provincial liquor boards, supplier rebates and other amounts. Other receivables include amounts due from sales to international customers and GST balances. The accounts receivable balances are broken down as follows:

	Dec. 30 2014	Dec. 30 2013
Provincial liquor boards	$ 1,227	$ 1,117
Other receivables	246	236
Total accounts receivable	$ 1,473	$ 1,353

Below is an aged analysis of the Corporation's trade and other receivables:

	Dec. 30 2014	Dec. 30 2013
Less than 30 days	$ 1,372	$ 1,132
30 – 60 days	21	192
60 – 90 days	27	1
Over 90 days	53	28
Total accounts receivable	$ 1,473	$ 1,353

The Corporation holds no collateral for any receivable amounts outstanding as at December 30, 2014.

15. PREPAID EXPENSES AND OTHER

The prepaid expenses and other for the Corporation are categorized as follows:

	Dec. 30 2014	Dec. 30 2013
Community sponsorship	$ 30	$ 38
Prepaid insurance	84	84
Equipment deposits, rental and maintenance	403	523
Consulting	4	—
Promotional materials	106	94
Employee benefits	28	—
Other	14	15
	$ 669	$ 754

16. SHARE CAPITAL

	December 30, 2014		December 30, 2013	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding at beginning of period	6,068,678	100,109	6,068,678	100,109
Shares issued upon public offering	799,250	12,874	—	—
Shares issued upon exercise of options	8,000	138	—	—
Outstanding at end of period	6,875,928	113,121	6,068,678	100,109

On April 10, 2014, Big Rock closed an equity offering to sell 799,250 common shares at $17 per share for gross proceeds of $13.6 million. Cash share issue costs of $953 were incurred and a non-cash decrease in the deferred tax liability of $241 was recognized, resulting in net proceeds of $12.9 million.

(In thousands of Canadian dollars, unless otherwise stated)

Big Rock is authorized to issue an unlimited number of common shares with no par value.

17. SHARE-BASED PAYMENTS

17.1 Stock option plan

The Corporation has a stock option plan which permits the Board of Directors of the Corporation to grant options to acquire common shares of the Corporation at the volume weighted average closing price for the five days preceding the date of grant. The Compensation Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements—including the terms of the option plan. The Corporation is authorized to issue options for a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan.

The general terms of stock options granted under the amended plan include a maximum exercise period of 5 years and vesting immediately.

On March 17, 2014, the Corporation granted 58,500 options at an exercise price of $18.06 per share with an expiry date of March 17, 2019. On September 11, 2014, the Corporation granted 58,500 options at an exercise price of $15.96 per share with an expiry date of September 11, 2019.

The weighted average fair value of the options issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	September 2014	March 2014	September 2013	March 2013
Weighted average fair value per option	**1.54**	1.95	1.66	1.61
Risk-free interest rate (%)	**1.42**	1.42	1.83	1.22
Expected life of the options (years)	**4**	4	4	4
Dividend rate (%)	**5.06**	4.44	5.30	5.41
Volatility in the price of the Corporation's shares (%)	**22.4**	22.4	23.5	25.3

A share-based compensation charge of $204 for the options granted during the year ended December 30, 2014 (2013 - $191) was recognized in statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

17.2 Stock appreciation rights plan

In March 2012, the Corporation introduced a share appreciation rights (“SAR”) plan as a component of overall compensation of directors, officers and employees. These SARs vest immediately and are exercisable for five years thereafter.

In March 2014, the Corporation granted 53,900 SARs with an exercise price of $18.06 (to be settled in cash). In September 2014, the Corporation granted 54,000 SARs with an exercise price of $15.96 (to be settled in cash).

At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the balance sheet and recorded as compensation expense.

As at December 30, 2014, 303,800 SARs were outstanding (December 30, 2013 – 214,800). During the year ended December 30, 2014, 107,900 SARs were issued (2013 – 108,200), 18,900 SARs were exercised (2013 – nil) and no SARs expired (2013 – nil). As at December 30, 2014, the fair value of the SARs was calculated and resulted in a liability of $216 (2013 - $687) and a recovery of $394 being recorded in general and administrative expenses (2013 – charge of $449).

(In thousands of Canadian dollars, unless otherwise stated)

At December 30, 2014, the weighted average fair value of the SARs issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	September 2014	March 2014	September 2013
Weighted average fair value per SAR	**0.59**	0.37	0.68
Risk-free interest rate (%)	**1.22**	1.22	1.22
Expected life of the SAR (years)	**4.70**	4.21	3.70
Dividend rate (%)	**6.20**	6.20	6.20
Volatility in the price of the Corporation's shares (%)	**23.0**	23.0	23.0

17.3 Outstanding stock options

The following is a summary of option transactions under the Corporation's stock option plan:

	2014		2013	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Balance, beginning of year	413,000	$ 14.75	323,000	$ 14.85
Expired	(14,000)	$ 16.15	(27,000)	$ 16.87
Exercised	(8,000)	$ 15.62	—	—
Issued	117,000	$ 17.01	117,000	$ 14.98
Balance, end of year	508,000	$ 15.22	413,000	$ 14.75

The following table summarizes information about stock options outstanding and exercisable at December 30, 2014:

Exercise price	# of Options outstanding at December 30, 2014	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at December 30, 2014
$11.88 to $14.26	166,500	2.19	$ 13.07	166,500
$14.27 to $16.28	175,500	3.87	$ 15.31	175,500
$16.29 to $18.06	166,000	2.03	$ 17.29	166,000
Balance, December 30	508,000	2.72	$ 15.22	508,000

18. BANK INDEBTEDNESS AND LONG-TERM DEBT

On February 14, 2013, Big Rock signed a commitment letter for a $12 million revolving operating loan facility which is available to payout previous borrowings as well as for general operating purposes and funding capital expenditure requirements. For prime-based loans, interest will be payable at the financial institution's prime plus 1.0 percent; for guaranteed notes, the acceptance fee is payable at 2.75 percent; and for letters of credit, the fee is payable at 2 percent with a minimum fee of $100. The operating loan matures after a term of 3 years and any undrawn amounts under the facility will expire on May 31, 2016, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios. As at December 30, 2014, Big Rock was in compliance with all covenants.

As at December 30, 2014, no balance (December 30, 2013 - nil) was outstanding on the facility.

(In thousands of Canadian dollars, unless otherwise stated)

On March 13, 2015, Big Rock signed a commitment letter to replace the existing $12m revolving facility with a $5 million revolving operating loan facility together with a $6 million 5-year term loan facility which is available for general operating purposes and funding capital expenditure requirements. For prime-based loans, interest will be payable at the financial institution's prime plus 2.0–2.75 percent; for guaranteed notes, the acceptance fee is payable at 3.75–4.50 percent; and for letters of credit, the fee is payable at 3.00–3.75 percent with a minimum fee of $100. Both facilities mature after a term of 5 years and any undrawn amounts under the facility will expire on March 13, 2020, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility will impose a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Corporation are principally comprised of amounts outstanding for trade purchases relating to brewing, selling, and general and administrative activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	Dec. 30 2014	Dec. 30 2013
Less than 30 days	$ 3,554	$ 4,096
30 – 60 days	25	—
60 – 90 days	—	—
Over 90 days	4	4
Total accounts payable and accrued liabilities	$ 3,583	$ 4,100

20. DIVIDENDS PAYABLE

Big Rock declared dividends during the year ended December 30, 2014 in the amount of $5,342 ($0.80 per share) compared to $4,855 ($0.80 per unit) for the same period in 2013. Dividends were paid on April 15, July 15, and October 15 of 2014 and January 15, 2015.

Over the long term it is management's intention that Big Rock's dividends to its shareholders are funded by cash flow from operating activities with the remaining cash from operations directed towards capital spending and debt repayments. The Corporation intends to provide dividends to shareholders that are sustainable to the Corporation considering its liquidity and long-term operational strategies. Since the level of dividends is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future dividends cannot be assured.

Dividends declared to shareholders may exceed net income generated during a given period. Net income may not be an accurate indicator of the Corporation's liquidity, as it may be comprised of significant items not involving cash including deferred income tax and depreciation and amortization related expenses.

21. CAPITAL RISK MANAGEMENT

The Corporation includes as capital its common shares plus short-term and long-term debt, net of cash balances, and has no externally imposed capital requirements. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern, in order to support the Corporation's normal operating requirements and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. This allows management to maximize the profitability of its existing assets and create long-term value and enhance returns for its shareholders.

(In thousands of Canadian dollars, unless otherwise stated)

	Dec. 30 2014	Dec. 30 2013
Bank indebtedness (cash)	$ (1,484)	$ (2,317)
Total debt	—	—
Shareholders' equity:		
Shareholders' capital	113,121	100,109
Contributed surplus	1,083	892
Accumulated deficit	(75,761)	(71,043)
Total shareholders' equity	38,443	29,958
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 36,959	$ 27,641

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets, which are approved by the Board of Directors. These budgets are updated as necessary depending on various factors, including capital deployment, results from operations, and general industry conditions.

In addition, the Corporation monitors its capital using ratios of (i) earnings before interest, taxes, depreciation and amortization ("EBITDA") to long-term debt and (ii) EBITDA to interest, debt repayments and dividends. EBITDA to interest, debt repayments and dividends is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA.

These capital policies, which remain unchanged from prior periods, provide Big Rock with access to capital at a reasonable cost.

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The Corporation's principal financial instruments are its outstanding amounts drawn from its credit facilities, which, after cash flow from operations, are its main source of financing. Financial assets and liabilities arising directly from its operations and Big Rock's activities include accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long term debt and dividends payable.

Big Rock's financial instruments and their designations are:

Classification of Financial Instrument	Designated as
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long term debt	Other financial liabilities
Dividends payable	Other financial liabilities

The primary risks arising from the Corporation's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, and are discussed later in this note.

22.2 Fair value

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-to-maturity”, “available-for-sale”, “loans and receivables”, fair value through profit or loss (“FVTPL”), or “other financial liabilities”.

Financial instruments recorded in the consolidated balance sheets are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Big Rock does not use Level 1 inputs for any of its fair value measurements.

Level 2 – Inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly. Big Rock’s Level 2 inputs include quoted market prices for interest rates and credit risk premiums. Big Rock obtains information from sources including the Bank of Canada and market exchanges. Big Rock uses Level 2 inputs for all of its financial instruments fair value measurements.

Level 3 – Inputs that are not based on observable market data. Big Rock does not use Level 3 inputs for any of its fair value measurements.

22.3 Financial risk management objectives and policies

The Corporation’s financial instruments include cash, accounts receivable, accounts payable and amounts due under line of credit facilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Corporation currently relies on only a few foreign suppliers providing small amounts of goods and thus has limited exposure to risk due to variations in foreign exchange rates. The Corporation has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors foreign exchange exposure.

The Corporation does not have any significant foreign currency denominated monetary liabilities.

Foreign currency sensitivity analysis

An increase or decrease in US currency foreign exchange of 3% percent would result in a change to net income for the year ended December 30, 2014 of $1 (2013 – $1).

(ii) *Interest rate risk*

Big Rock is exposed to interest rate risk on the variable rate of interest incurred on the amounts due under operating and credit facilities and on interest earned on bank deposits. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates.

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations, however, management monitors interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation.

The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation’s long-term debt does not change as interest rates change.

The weighted average interest rate incurred by the Corporation in the year ended December 30, 2014 was 4.30% (2013 – 4.43%).

Interest rate sensitivity analysis

In the event interest rates changed by 75 basis points, the Corporation's net income for the year ended December 30, 2014 would be affected by $nil (2013 – $nil).

The sensitivity analysis assumes the change takes place at the beginning of the financial year and is held constant throughout the reporting period.

(iii) ***Credit risk***

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Corporation incurring a financial loss.

Big Rock has a concentration of credit risk because a majority of its accounts receivable are from provincial liquor boards, under provincially regulated industry sale and payment terms. The Corporation is not exposed to significant credit risk as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. While substantially all of Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period. The majority of product sold outside of Canada, which is included in GST and other receivables, is done so on a 'Cash on Delivery' basis with no credit risk.

Credit risks associated with the potential non-performance by financial instrument counterparties has been minimized through the careful selection of vendors, the development of long term vendor relationships and the selective use of written arrangements to guarantee supply and payment terms.

(iv) ***Liquidity risk***

Big Rock's principal sources of liquidity are its cash flows from operations and existing or new credit facilities. Liquidity risk is mitigated by maintaining banking facilities, continuously monitoring forecast and actual cash flows and, if necessary, adjusting levels of dividends to shareholders and capital spending to maintain liquidity.

Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Corporation's operations.

(v) ***Commodity price risk***

The Corporation is exposed to commodity price risk in the areas of utilities (primarily electricity and natural gas), malted barley, water, glass and aluminum, where fluctuations in the market price or availability of these items could impact Big Rock's cash flow and production. To minimize the impact of this risk, the Corporation enters into contracts which secure supply and set pricing to manage the exposure to availability and pricing.

Big Rock's profitability depends on the selling price of its products to provincial liquor boards. While these prices are controlled by the Corporation, they are subject to such factors as regional supply and demand, and to a lesser extent inflation and general economic conditions. As beer and cider sales are the only source of revenue for the Corporation, a 5% increase or decrease in these prices will result in a corresponding increase or decrease in revenue.

Each provincial authority has its own tax or "mark-up" structure by which fees are levied on brewers' sales within that jurisdiction. These regulations may be changed from time to time, which may positively or negatively impact Big Rock's profitability.

In 2012, the Alberta government commenced a review of its mark-up rates, but no changes to existing regulations have yet been announced. As Alberta is Big Rock's predominant market, any changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

(In thousands of Canadian dollars, unless otherwise stated)

23. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of key management, which is included in cost of sales and general and administrative expenses, is as follows:

	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Salaries and other short-term benefits	$ 742	$ 707
Bonuses	57	164
Share-based compensation	348	327
Total compensation	$ 1,147	$ 1,198

Key management includes the Directors (executive and non-executive), the Chief Executive Officer and President, the Chief Financial Officer and the Vice President Operations.

24. CHANGE IN NON-CASH WORKING CAPITAL

	Year ended Dec. 30 2014	Year ended Dec. 30 2013
Accounts payable and accrued liabilities	$ (4,711)	$ 1,649
Inventory	(871)	884
Accounts receivable	(120)	1,005
Prepaid expenses	85	(390)
Total change in non-cash working capital	$ (5,617)	$ 3,148

25. COMMITMENTS FOR EXPENDITURE

As at December 30, 2014, the Corporation was a party to the following contracts:

- Effective April 1, 2014, the Corporation locked in an agreement with a natural gas retailer to provide natural gas at a fixed price of $4.35 per gigajoule for a period of 39 months, ending on July 1, 2017.

- In the fourth quarter of 2014, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $147, of which $41 was payable at December 30. These materials, which will be used in the normal course of business, are expected to be received during the first and second quarters of 2015.

- During 2014, Big Rock entered into an agreement for the purchase of machinery and equipment for Big Rock's new Vancouver brewery for a total cost of approximately $195, of which $53 was payable at December 30. This machinery and equipment, which will be used in the normal course of business, is expected to be received during the first quarter of 2015.

- Big Rock has agreed upon several contracts for the supply of raw materials ranging from $545 to $840 per metric tonne with commitments extending out to December 2015. These raw materials will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

- In August 2010, Big Rock entered into an agreement with an electricity retailer to provide electricity for a period of five years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

- In February 2014, Big Rock entered into an agreement with an electricity retailer to provide electricity for a period of 40 months beginning September 1, 2015 and ending on January 1, 2019 at a fixed rate of $65.08 per megawatt hour.

(In thousands of Canadian dollars, unless otherwise stated)

26. LEASES

Big Rock has entered into operating lease agreements for storage facilities, warehouses, breweries, and retail locations. The remaining terms of these leases range between 4 and 10 years. Certain leases contain extension and renewal options.

Future minimum lease payments due as at December 30, 2014 are:

Within one year	$ 441
After one year but not more than five years	2,104
More than five years	2,528
	$ 5,073

In 2014, lease payments of $163 (2013 - $22) were recognized as expense in the statement of comprehensive income.

27. SUBSEQUENT EVENTS

In March 2015, Big Rock entered into an operating lease for premises in Etobicoke, ON.

28. SEGMENTED INFORMATION

The Corporation conducts its business as a single operating segment being the producer of craft beer and cider in Canada. All property, plant and equipment are situated in Canada. Investment revenue was earned from domestic sources.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Big Rock Brewery Inc. for the year ended December 30, 2014 were approved and authorized for issue by the Board of Directors on March 13, 2015.