
# BIG ROCK BREWERY INC.
## QUARTERLY REPORT

### FIRST QUARTER 2015 HIGHLIGHTS

| $ thousands (unless otherwise stated) | Three months ended March 31 2015 | 2014 |
|---|---|---|
| Sales volumes (hectolitres or hl) | 33,980 | 34,100 |
| Net revenue | 7,064 | 7,147 |
| Operating loss | (871) | (420) |
| Net loss | (624) | (310) |
| Loss per share (basic and diluted) | $ (0.09) | $ (0.05) |

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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 three months ended March 31, 2015, as compared to the same period in 2014.

This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Corporation and accompanying notes as at and for the three months ended March 31, 2015 (the "Financial Statements") and in conjunction with the December 30, 2014 audited consolidated financial statements and MD&A contained within our 2014 Annual Report. The financial statements have been prepared using International Financial Reporting Standards ("IFRS"). All amounts are reported in thousands of Canadian dollars and comparative figures have been restated using IFRS, unless otherwise noted.

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

The MD&A is dated May 7, 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 twelve 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.

In April 2015, Big Rock expanded its physical presence to British Columbia ("BC") when it officially opened Big Rock Urban Brewery and Eatery in Vancouver's thriving craft beer district. This combined brewery and brewpub will service on-premise consumers in downtown Vancouver and provide distribution for Big Rock's beers throughout BC.

## 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 BC and Ontario, volume growth in craft beer has outpaced growth in product listings.

The combined impact of these factors had resulted in a decline in Big Rock's sales volumes through 2013 and 2014. The successful launches of new products have led to volume growth of 6% in Alberta in the first quarter of 2015 which was offset by lower volumes in BC. Overall volume decline was 0.4% in the period. Excluding the impact of changes in Big Rock's warehousing process in BC (described below in Results of Operations), volume growth for Q1 would have been 1.8%.

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

| | 2015 | 2014 | | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|
| $ thousands (unless otherwise stated) | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Sales volumes (hl) | 33,980 | 39,194 | 48,376 | 46,597 | 34,100 | 39,328 | 52,110 | 51,266 |
| Net revenue | 7,064 | 8,638 | 10,556 | 10,414 | 7,147 | 9,096 | 11,852 | 11,635 |
| Operating profit (loss) | (871) | (224) | 1,017 | 342 | (420) | (243) | 1,590 | 1,806 |
| Net income (loss) | (624) | (106) | 764 | 276 | (310) | (127) | 1,217 | 1,369 |
| Per hl net revenue | 207.89 | 220.39 | 218.21 | 223.49 | 209.59 | 231.29 | 227.44 | 226.95 |
| Per hl cost of sales | 108.98 | 121.88 | 109.70 | 113.31 | 104.60 | 132.04 | 106.26 | 103.99 |
| Per hl selling expenses | 80.08 | 73.17 | 64.87 | 77.79 | 79.30 | 72.31 | 67.09 | 62.94 |
| Per hl general and administrative | 41.17 | 29.01 | 21.08 | 23.61 | 36.13 | 31.10 | 21.59 | 23.50 |
| Per hl operating profit (loss) | (25.63) | (5.72) | 21.02 | 7.34 | (12.32) | (6.18) | 30.51 | 35.23 |
| Per hl net income (loss) | (18.36) | (2.70) | 15.79 | 5.92 | (9.09) | (3.23) | 23.35 | 26.70 |
| Income (loss) per share (basic and diluted) | $ (0.09) | $ (0.02) | $ 0.11 | $ 0.04 | $ (0.05) | $ (0.02) | $ 0.20 | $ 0.22 |
| Dividends per share | $ 0.00 | $ 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**

While sales volumes decreased 0.4% for the three months ended March 31, 2015 as compared to the same period last year, Big Rock's net revenue decreased 1.2% for the three months ended March 31, 2015 compared to the same period in 2014.

Excluding the effects of changes to the BC business (described below), sales volumes would have increased by 622 hl (1.8%) and net revenue would have increased by $105 (1.5%) compared to the three months ended March 31, 2014. General and administrative expenses would have decreased by $128 (10.4%) and operating loss would have decreased by $32 (7.6%). Net loss would have decreased by 42 (13.5%) as detailed in the following table:

| | Three months ended March 31, 2015, as stated | Excluding effect of changes to BC business | Three months ended March 31, 2015, adjusted | Three months ended March 31, 2014 | Change |
|---|---|---|---|---|---|
| *Sales volumes (hl)* | *33,980* | *742* | *34,722* | *34,100* | *622* |
| Net revenue | 7,064 | 188 | 7,252 | 7,147 | 105 |
| Cost of sales | 3,703 | — | 3,703 | 3,567 | 136 |
| Gross profit | 3,361 | 188 | 3,549 | 3,580 | (31) |
| Operating expenses: | | | | | |
| Selling | 2,721 | — | 2,721 | 2,704 | 17 |
| General and administrative | 1,399 | (295) | 1,104 | 1,232 | (128) |
| Depreciation and amortization | 112 | — | 112 | 64 | 48 |
| Operating expenses | 4,232 | (295) | 3,937 | 4,000 | (63) |
| Operating loss | (871) | 483 | (388) | (420) | 32 |
| Finance expenses and other | (24) | — | (24) | (42) | 18 |
| Loss before income taxes | (847) | 483 | (364) | (378) | 14 |
| Income taxes expense (recovery) | (223) | 127 | (96) | (68) | (28) |
| Net loss | (624) | 356 | (268) | (310) | 42 |
| Loss per share | (0.09) | 0.05 | (0.04) | (0.05) | 0.01 |

The changes to the BC business comprised the startup costs for the new BC brewery and brewpub (which commenced commercial operations in April 2015) together with a change in Big Rock's warehousing process for BC. Upon receipt of its manufacturing license from the BC Liquor Control and Licensing Branch, Big Rock's status with the Liquor Distribution Branch ("BCLDB") changed from "importer" to "domestic producer" for periods beginning March 1, 2015. In substance, all products held by third-party warehouses in BC at that time reverted back from BCLDB responsibility to Big Rock's custody and therefore a one-time transitional "buy-back" of inventory occurred. This buy-back consisted of 742 hl of products held at three third-party warehouses with a value of $188, which were accounted for in the quarter as a reduction of sales volumes and sales revenues and an increase in inventories. These products will be recognized in revenue as they are sold by Big Rock to retailers or on-premise customers such as bars or restaurants.

**Gross Profit**

| $ thousands (unless otherwise stated) | Three months ended March 31 2015 | 2014 | Change |
|---|---|---|---|
| Net sales revenue | 7,064 | 7,147 | (83) |
| Cost of sales: | | | |
| Ingredients and packaging materials | 1,955 | 1,841 | 114 |
| Labour | 1,208 | 1,175 | 33 |
| Overhead | 676 | 718 | (42) |
| Inventory movement | (534) | (611) | 77 |
| Depreciation | 398 | 444 | (46) |
| Cost of sales | 3,703 | 3,567 | 136 |
| Gross profit | 3,361 | 3,580 | (219) |
| Sales volumes (hl) | 33,980 | 34,100 | (120) |

Net sales revenues include product sales for beer and cider. For the three months ended March 31, 2015, net sales revenue decreased $83 (1.2%) compared to the same period in 2014, while sales volumes decreased 120 hl (0.4%) from the comparable period in 2014 to 33,980 hl. The decrease was primarily attributable to lower sales volumes in the BC market.

Volume growth occurred in Alberta with the launch of new permanent and seasonal products and continued strength of recently rebranded private label products.

Geographically, Alberta and BC continued to represent the largest shares of the Corporation's sales, consistent with management's focus on the western provinces.

For the three months ended March 31, 2015, total cost of sales increased by $136 compared to the same period last year, as described below:

- For the quarter ended March 31, 2015, costs relating to ingredients and packaging materials increased $114 due primarily to higher brewing volumes and higher packaging costs for bottled cider.

- Big Rock's labour costs relating to production are primarily fixed in nature. When compared to the same period in 2014, labour charges for the first quarter of 2015 increased by $33 due to annual salary increases and more overtime hours.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs at March 31, 2015 decreased by $42 compared to the three months ended March 31, 2014, due primarily to reduced utility costs.

- 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 months ended March 31, 2015, charges relating to inventory movement increased by $77 compared with the same period 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. The primary driver of the change in depreciation was inventory movement in the period.

On a per hectolitre basis, cost of sales increased by $4.38 per hl (4.2%) for the three months ended March 31, 2015 compared to the same period in 2014. The increases were primarily in raw materials and inventory movement, partially offset by reduced depreciation and overhead, as detailed in the following table:

### Per hectolitre cost of sales

| | Three months ended March 31 | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Net sales revenue | 207.89 | 209.59 | (1.70) |
| Cost of sales: | | | |
| Ingredients and packaging materials | 57.55 | 53.98 | 3.57 |
| Labour | 35.55 | 34.46 | 1.09 |
| Overhead | 19.89 | 21.06 | (1.17) |
| Inventory movement | (15.72) | (17.92) | 2.20 |
| Depreciation | 11.71 | 13.02 | (1.31) |
| Cost of sales | 108.98 | 104.60 | 4.38 |

### Selling expenses

| | Three months ended March 31 | | |
|---|---|---|---|
| $ thousands | 2015 | 2014 | Change |
| Selling: | | | |
| Delivery and distribution costs | 653 | 653 | – |
| Salaries and benefits | 807 | 806 | 1 |
| Marketing | 216 | 323 | (107) |
| Regional sales | 839 | 806 | 33 |
| Community sponsorship and other | 206 | 116 | 90 |
| Total selling expenses | 2,721 | 2,704 | 17 |

For the three months ended March 31, 2015, selling expenses increased by $17 compared with the same period last year, as detailed below:

- Delivery and distribution costs were flat which corresponded to consistent volumes delivered in the quarter compared to the same period last year.
- Salaries and benefit costs were flat for the first quarter.
- Marketing costs decreased by $107 primarily as a result of a decline in consulting costs relating to website redesign.
- Regional sales expenses increased by $33 due mainly to continued investment in quality promotional materials such as tap handles and glassware.
- Community sponsorships and other increased by $90 due mainly to new sponsorship activity.

On a per hectolitre basis, selling expenses increased by $0.78 per hl (1.0%) for the three months ended March 31, 2015, when compared to the same period in 2014, mainly as a result of increases in community sponsorships and regional selling costs, offset by a decrease in marketing, as detailed in the following table:

**Per hectolitre selling expenses**

| | Three months ended March 31 | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Selling: | | | |
| Delivery and distribution | 19.22 | 19.15 | 0.07 |
| Salaries and benefits | 23.75 | 23.64 | 0.11 |
| Marketing | 6.36 | 9.47 | (3.11) |
| Regional sales | 24.69 | 23.64 | 1.05 |
| Community sponsorship and other | 6.06 | 3.40 | 2.66 |
| Total selling expenses | 80.08 | 79.30 | 0.78 |

**General and Administrative expenses**

| | Three months ended March 31 | | |
|---|---|---|---|
| $ thousands | 2015 | 2014 | Change |
| General and Administrative: | | | |
| Salaries and benefits | 639 | 716 | (77) |
| Professional fees | 176 | 185 | (9) |
| Building maintenance and taxes | 220 | 118 | 102 |
| Office, administrative and other | 187 | 122 | 65 |
| Reporting and filing fees | 57 | 23 | 34 |
| Insurance | 57 | 53 | 4 |
| Bank charges | 63 | 15 | 48 |
| Total general and administrative expenses | 1,399 | 1,232 | 167 |

For the three months ended March 31, 2015, general and administrative expenses increased by $167 compared with the same period last year as detailed below:

- Salaries and benefit costs decreased by $77 for the three months ended March 31, 2015 as compared to the same period in 2014 due to a recovery adjustment to the valuation of awards under the Corporation's share appreciation rights program, offset by pre-operating salaries paid to the BC brewery and brewpub staff.

- Professional fees, which include legal, audit, tax and accounting advisory services, decreased by $9 due to reduced legal expenses, which was slightly offset by higher audit fees.

- Building maintenance and taxes expenses increased by $102 for the three months ended March 31, 2015 as compared to the same period in 2014 due to leasing costs for the BC brewery and brewpub.

- Office, administration and other increased $65 due to higher travel and corporate hospitality expenses associated with expansions in BC and Ontario.

- Reporting and filing fees for the three months ended March 31, 2015 were higher than in the first quarter of 2014, due to timing of TSX filing fees.

- Insurance expense was consistent with the comparative period in 2014.

- Bank charges were higher due to costs associated with the new credit facility.

Excluding costs related to the new BC facility, general and administrative expenses would have decreased by $128 (10.4%) when compared with the same period in 2014.

**Finance expenses**

| $ thousands (unless otherwise stated) | Three months ended March 31<br>2015 | 2014 | Change |
|---|---|---|---|
| Interest on long-term debt | — | 8 | (8) |
| Interest on operating facility | 17 | (1) | 18 |
| Total finance expenses | 17 | 7 | 10 |
| Weighted average effective interest rate | 4.43% | 4.00% | |

The outstanding balance on the operating loan facility was $4,928 as at March 31, 2015 compared to $2,595 as at March 31, 2014. The interest rates applicable to all loans and borrowings are based on the lender's prime rate. The increase in interest expense for the three months ended March 31, 2015 compared to the same period last year is due to the higher balance outstanding.

**Depreciation and amortization**

| $ thousands | Three months ended March 31<br>2015 | 2014 | Change |
|---|---|---|---|
| Depreciation included in cost of sales | 398 | 444 | (46) |
| Depreciation—other | 104 | 58 | 46 |
| Amortization | 8 | 6 | 2 |
| Total | 510 | 508 | 2 |

For the three months ended March 31, 2015, depreciation expense included in cost of sales decreased by $46 compared with the same period last year due to inventory movement in the period.

Other depreciation, which relates to non-production assets, increased due to additions since March 2014.

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**

| $ thousands | Three months ended March 31<br>2015 | 2014 | Change |
|---|---|---|---|
| Other income | 74 | 77 | (3) |
| Other expenses | 33 | 28 | 5 |

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 revenues from tours, hospitality, and the dry goods store.

**Income taxes**

| $ thousands | Three months ended March 31<br>2015 | 2014 | Change |
|---|---|---|---|
| Current income tax expense (recovery) | (55) | 23 | (78) |
| Deferred income tax recovery | (168) | (91) | (77) |

A current income tax recovery of $55 was recorded for the three months ended March 31, 2015 (2014 – expense of $23). These taxes arise from the transitional provisions on the taxation of partnership deferral structures.

During the three months ended March 31, 2015, the Corporation recorded deferred income tax recovery of $168, compared to a recovery of $91 for the same period last year.

The deferred income tax provision differs from the statutory rate of 25.17% (2014 – 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, 2014 to March 31, 2015:

| $ thousands (unless otherwise stated) | **Increase/ (Decrease)** | **Primary factors explaining change** |
|---|---|---|
| Property, plant and equipment | 2,375 | BC building additions, net of amortization |
| Intangible assets | 221 | Computer software additions, net of amortization |
| Inventories | 1,018 | Increase in finished goods in anticipation of summer seasonal demand and impact of BC inventory transition |
| Accounts receivable | 319 | Higher day sales outstanding from AGLC |
| Prepaid expenses and other | 310 | Deposits on new equipment for Ontario brewery |
| Deferred income taxes | (168) | Tax effect of changes in temporary differences |
| Share based payments liability | (104) | Lower SAR valuation |
| Current income taxes | 297 | Tax payments in 2014 |
| Accounts payable and accrued liabilities | 530 | Timing of supplier payments |
| Dividends payable | (1,375) | No dividend payable for Q1 |
| Bank indebtedness | 4,928 | Draw on operating line of credit |

## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

| $ thousands (unless otherwise stated) | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Bank indebtedness (cash) | (131) | (1,484) |
| Total debt | 4,928 | — |
| Shareholders' equity: | | |
| Shareholders' capital | 113,121 | 113,121 |
| Contributed surplus | 1,083 | 1,083 |
| Accumulated deficit | (76,385) | (75,761) |
| Total shareholders' equity | 37,819 | 38,443 |
| Total capitalization (total debt plus shareholders' equity, net of cash balances) | 42,616 | 36,959 |
| | | |
| Total debt to capitalization ratio | 11.6% | 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 net 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 net debt is calculated by dividing debt minus cash 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, 2014 and March 31, 2015 | 6,875,928 | 113,121 |

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 May 7, 2015 there were 6,875,928 issued and outstanding shares and the closing price was $7.40 per share. Based upon 6,875,928 issued shares, the Corporation has an approximate market capitalization of $50.9 million.

### Share Based Compensation Plan

The weighted average fair value of the options issued during the three months ended March 31, 2015 was estimated using the Black-Scholes option pricing model.

The weighted average 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 |

A share-based compensation charge of $nil for the options granted in the three months ended March 31, 2015 (2014 - $114) was recognized in 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 share option plan:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | # of options | Weighted average exercise price | # of options | Weighted average exercise price |
| Balance, beginning of year | 508,000 | $ 15.22 | 413,000 | $ 14.75 |
| Expired | – | – | – | – |
| Exercised | – | – | (8,000) | $ 15.62 |
| Issued | – | – | 58,500 | $ 18.06 |
| Balance, March 31 | 508,000 | $ 15.22 | 463,500 | $ 15.16 |

The following table summarizes information about share options outstanding and exercisable at March 31, 2015:

| Exercise price | # of Options outstanding at March 31, 2015 | Weighted average remaining contractual life (years) | Weighted average exercise price | # of Options exercisable at March 31, 2015 |
|---|---|---|---|---|
| $11.88 to $14.26 | 166,500 | 1.94 | $ 13.07 | 166,500 |
| $14.27 to $16.28 | 175,500 | 3.62 | $ 15.31 | 175,500 |
| $16.29 to $18.06 | 166,000 | 1.78 | $ 17.29 | 166,000 |
| Balance, March 31 | 508,000 | 2.47 | $ 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. All SARs issued on or after March 17, 2014 entitle the participant to receive the positive difference, if any, between the exercise price and the fair market value plus accrued dividends, if any.

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 March 31, 2015, 298,400 SARs were outstanding (December 30, 2014 – 303,800). During the three months ended March 31, 2015, no SARs were issued (2014 – 53,900), no SARs were exercised (2014 – 16,200) and 5,400 SARs expired (2014 – nil). As at March 31, 2015, the fair value of the SARs was calculated and resulted in a liability of $112 (December 30, 2014 - $216) and a recovery of $104 being recorded in general and administrative expenses (December 30, 2014 - $394).

At March 31, 2015, 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 | **0.52** | 0.33 | 0.41 |
| Risk-free interest rate (%) | **0.63** | 0.63 | 0.63 |
| Expected life of the SAR (years) | **4.45** | 3.96 | 3.46 |
| Dividend rate (%) | **0.00** | 0.00 | 0.00 |
| Volatility in the price of the Corporation's shares (%) | **28.5** | 28.5 | 28.5 |

### Cash Flows

| $ thousands | Three months ended March 31 2015 | 2014 | Change |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net income (loss) for the period, adjusted for items not affecting cash | (374) | 287 | (661) |
| Net change in non-cash working capital | (1,370) | (4,508) | 3,138 |
| Cash used in operating activities | (1,744) | (4,221) | 2,477 |
| **FINANCING ACTIVITIES** | | | |
| Increase in bank indebtedness and long-term debt | 4,928 | 3,348 | 1,580 |
| Exercise of options and share appreciation rights | — | 51 | (51) |
| Dividend payments | (1,375) | (1,214) | (161) |
| Cash provided by financing activities | 3,553 | 2,185 | 1,368 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | (2,933) | (193) | (2,740) |
| Purchase of intangible assets | (229) | (10) | (219) |
| Proceeds from sale of equipment | — | 140 | (140) |
| Cash used in investing activities | (3,162) | (63) | (3,099) |
| **Net change in cash** | (1,353) | (2,099) | 746 |

### Operating Activities

Cash used in operating activities for the three months ended March 31, 2015 totalled $1,744, a decrease of $2,477 compared to the same period last year, mainly as a result of the change in non-cash working capital.

### Financing Activities

Cash provided by financing activities for the three months ended March 31, 2015 increased by $1,368 compared with the same period in 2014. The increase is a result of drawing on the operating loan facility during the quarter.

On March 13, 2015, Big Rock signed a commitment letter to replace the existing $12 million 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.

As at March 31, 2015, a balance of $4,928 (December 30, 2014 - nil) was outstanding on the operating loan facility.

The facility will impose a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios. As at March 31, 2015, 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 | March 31, 2015 | March 31, 2014 |
|---|---|---|
| EBITDA | $ (320) | $ 137 |
| Deduct: Depreciation & Amortization | 510 | 508 |
| Earnings (loss) before interest and taxes | (830) | (371) |
| Deduct: Interest | 17 | 7 |
| Deduct: Income tax charge (add: recovery) | (223) | (68) |
| Net income (loss) | $ (624) | $ (310) |

### Investing Activities

For the three months ended March 31, 2015, capital spending, net of dispositions, was $3,162 compared to $63 for the same period in 2014. Capital spending, net of dispositions, included net cash received of $21 in respect of kegs (2014 - $nil), $32 (2014 – $11) for the purchase of new vehicles, $599 (2014 – net disposition of $77) for brewing and packaging equipment, $1,577 (2014 – $67) relating to buildings and warehouses, $746 (2014 – $52) for the purchase of office furniture and equipment and $229 (2014 - $10) for the purchase of intangible assets.

### Cash Dividends

In March 2015, Big Rock announced the suspension of the Corporation's quarterly dividend until further notice. In March 2014, Big Rock declared dividends of $1,215 or $0.20 per share, which were paid on April 15, 2014.

In determining dividend levels, if any, in the future, 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.

## 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 expense with respect to options recognized during the three months ended March 31, 2015 was $nil (2014 – $114), while the recovery recognized with respect to SARs was $104 (2014 – expense of $56) as discussed earlier in this MD&A.

### 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 revenue.

## 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 and on March 26, 2015, announced an increase in the mark-up rate applicable to Big Rock with an immediate corresponding increase in the prices of the Corporation's products. As Alberta is Big Rock's predominant market, 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 feels 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 ended March 31, 2015 was 4.43% (2014 – 4.00%).

### 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 17, 2015 that is available on www.sedar.com.

## FUTURE ACCOUNTING PRONOUNCEMENTS

### IFRS Policies

The Corporation's interim financial statements as at and for the three months ended March 31, 2015 and 2014 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 31, 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.

### Change in accounting policies

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 did not experience 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 did not experience 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 did not experience any impact to the financial statements on adoption of this standard.

**Future accounting pronouncements**

The IASB has issued the following pronouncements:

- 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, amendment and interpretations is permitted. Big Rock has not early adopted these; however, the Corporation is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Corporation.

**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 March 31, 2015.

## 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 three months ended March 31, 2015, 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 March 31, 2015, 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 March 31, 2015. 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 commenced operations in April 2015, while management expects that the Ontario brewery and nearby brewpub 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:

- the potential future resumption of 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; 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:

- 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 http://bigrockbeer.com.

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

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Net revenue (Note 3) | $ 7,064 | $ 7,147 |
| Cost of sales (Note 4) | 3,703 | 3,567 |
| **Gross profit** | 3,361 | 3,580 |
| **Expenses** | | |
| Selling expenses (Notes 5) | 2,721 | 2,704 |
| General and administrative (Note 6) | 1,399 | 1,232 |
| Depreciation and amortization | 112 | 64 |
| Operating expenses | 4,232 | 4,000 |
| **Operating loss** | (871) | (420) |
| Finance expenses (Note 7) | 17 | 7 |
| Other income | 74 | 77 |
| Other expenses | 33 | 28 |
| **Loss before income taxes** | (847) | (378) |
| Current income tax expense (recovery) | (55) | 23 |
| Deferred income tax recovery | (168) | (91) |
| **Net loss and comprehensive loss for the period** | $ (624) | $ (310) |

| | | |
|---|---|---|
| **Net loss per share (Note 8)** | | |
| Basic and diluted | $ (0.09) | $ (0.05) |

*See accompanying notes to the condensed interim consolidated financial statements*

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

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | $ 40,697 | $ 38,322 |
| Intangible assets | 386 | 165 |
| | 41,083 | 38,487 |
| **Current** | | |
| Inventories (Note 9) | 4,831 | 3,813 |
| Accounts receivable (Note 10) | 1,792 | 1,473 |
| Prepaid expenses and other (Note 11) | 979 | 669 |
| Current taxes receivable | 2,538 | 2,241 |
| Cash | 131 | 1,484 |
| | 10,271 | 9,680 |
| **Total assets** | $ 51,354 | $ 48,167 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **EQUITY** | | |
| Shareholders' capital (Note 12) | $113,121 | $113,121 |
| Contributed surplus (Notes 12 and 13 ) | 1,083 | 1,083 |
| Accumulated deficit | (76,385) | (75,761) |
| | 37,819 | 38,443 |
| **LIABILITIES** | | |
| **Non-current** | | |
| Share based payment liabilities (Note 13) | 112 | 216 |
| Deferred income taxes | 4,382 | 4,550 |
| | 4,494 | 4,766 |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 15) | 4,113 | 3,583 |
| Dividends payable (Note 16) | — | 1,375 |
| Bank indebtedness (Note 14) | 4,928 | — |
| | 9,041 | 4,958 |
| | | |
| **Total liabilities and shareholders' equity** | $ 51,354 | $ 48,167 |

*See accompanying notes to the condensed interim consolidated financial statements*

**BIG ROCK BREWERY INC.**
Condensed Interim Consolidated Statements of Cash Flow
Unaudited
*(In thousands of Canadian dollars)*

| | Three months ended March 31 2015 | 2014 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | $ (624) | $ (310) |
| Items not affecting cash: | | |
| Depreciation and amortization | 510 | 508 |
| Loss on sale of assets | 12 | 10 |
| Share based compensation | (104) | 170 |
| Deferred income tax recovery | (168) | (91) |
| Net change in non-cash working capital related to operations (Note 18) | (1,370) | (4,508) |
| **Cash used in operating activities** | (1,744) | (4,221) |
| **FINANCING ACTIVITIES** | | |
| Increase in bank indebtedness and long-term debt | 4,928 | 3,348 |
| Exercise of options | — | 125 |
| Dividend payments | (1,375) | (1,214) |
| Exercise of share appreciation rights | — | (74) |
| **Cash provided by financing activities** | 3,553 | 2,185 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (2,933) | (193) |
| Purchase of intangible assets | (229) | (10) |
| Proceeds from sale of equipment | — | 140 |
| **Cash used in investing activities** | (3,162) | (63) |
| **Net decrease in cash** | (1,353) | (2,099) |
| Cash, beginning of period | 1,484 | 2,317 |
| **Cash, end of period** | $ 131 | $ 218 |

| | | |
|---|---|---|
| **Supplemental cash-flow information** | | |
| Cash interest paid | $ 18 | $ — |
| Cash taxes paid | $ 241 | $ 1,947 |

*See accompanying notes to the condensed interim consolidated financial statements*

**BIG ROCK BREWERY INC.**
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
Unaudited
*(In thousands of Canadian dollars)*

| | Shareholders' capital | Contributed surplus | Accumulated deficit | Total |
|---|---|---|---|---|
| Balance as at December 30, 2013 | $ 100,109 | $ 892 | $ (71,043) | $ 29,958 |
| Share options exercised | 138 | (13) | — | 125 |
| Share-based payments | — | 114 | — | 114 |
| Total comprehensive income (loss) | — | — | (310) | (310) |
| Dividends declared (Note 16) | — | — | (1,215) | (1,215) |
| Balance as at March 31, 2014 | 100,247 | 993 | (72,568) | 28,672 |
| Share-based payments | — | 90 | — | 90 |
| Issuance of shares for cash | 12,874 | — | — | 12,874 |
| Total comprehensive income (loss) | — | — | 934 | 934 |
| Dividends declared | — | — | (4,127) | (4,127) |
| Balance as at December 30, 2014 | 113,121 | 1,083 | (75,761) | 38,443 |
| Total comprehensive income (loss) | — | — | (624) | (624) |
| Balance as at March 31, 2015 | $ 113,121 | $ 1,083 | $ (76,385) | $ 37,819 |

*See accompanying notes to the condensed interim 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 condensed interim 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 entities 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 consolidated financial statements.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These Financial Statements are unaudited and have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Financial Statements should be read in conjunction with Big Rock's 2014 annual consolidated financial statements.

### 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 Change in accounting policies

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 did not experience 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 did not experience 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 did not experience any impact to the financial statements on adoption of this standard.

### 2.4 Future accounting pronouncements

The IASB has issued the following pronouncements:

- 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, amendment and interpretations is permitted. Big Rock has not early adopted these; however, the Corporation is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Corporation.

## 3. REVENUE RECOGNITION

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Gross Product Revenues | $ 9,274 | $ 9,338 |
| Excise Taxes | (931) | (1,001) |
| Alberta Gaming and Liquor Commission (“AGLC”) Commissions | (1,279) | (1,190) |
| Net Revenue | $ 7,064 | $ 7,147 |

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.

## 4. COST OF SALES

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

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Operating expenses | $ 3,305 | $ 3,123 |
| Depreciation and amortization | 398 | 444 |
| Cost of sales | $ 3,703 | $ 3,567 |

## 5. SELLING EXPENSES

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

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Delivery and distribution costs | $ 653 | $ 653 |
| Salaries and benefits | 807 | 806 |
| Marketing | 216 | 323 |
| Regional sales | 839 | 806 |
| Community sponsorship and other | 206 | 116 |
| Selling expenses | $ 2,721 | $ 2,704 |

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

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

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Salaries and benefits [(1)] | $ 639 | $ 716 |
| Professional fees | 176 | 185 |
| Reporting and filing fees | 57 | 23 |
| Insurance | 57 | 53 |
| Building maintenance and taxes | 220 | 118 |
| Bank charges | 63 | 15 |
| Office, administrative and other | 187 | 122 |
| General and administrative expenses | $ 1,399 | $ 1,232 |

[(1)] Salaries and benefits include share option expense of $nil (2014 - $114) and share appreciation rights recovery of $104 (2014 – expense of $56).

## 7. FINANCE EXPENSES

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

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Interest on long-term debt | $ – | $ 8 |
| Interest on operating facility | 17 | (1) |
| Finance expenses | $ 17 | $ 7 |

## 8. LOSS PER SHARE

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

| Basic | Three months ended March 31 2015 | 2014 |
|---|---|---|
| Net loss | $ (624) | $ (310) |
| Shares outstanding, beginning of the period | 6,875,928 | 6,068,678 |
| Weighted average # of shares issued during the period | — | 1,582 |
| Basic # shares outstanding during the period | 6,875,928 | 6,070,260 |
| Basic income (loss) per share | $ (0.09) | $ (0.05) |

| Diluted | Three months ended March 31 2015 | 2014 |
|---|---|---|
| Net loss | $ (624) | $ (310) |
| Basic # shares outstanding during the period | 6,875,928 | 6,070,260 |
| Weighted average # of shares issuable on dilutive options during the period | — | — |
| Diluted # shares outstanding during the period | 6,875,928 | 6,070,260 |
| Diluted income (loss) per share | $ (0.09) | $ (0.05) |

## 9. INVENTORIES

The inventories for the Corporation are categorized as follows:

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Raw materials and glass containers | $ 1,113 | $ 1,229 |
| Brews in progress | 979 | 734 |
| Finished product | 2,347 | 1,714 |
| Consignment product | 290 | 68 |
| Dry goods store (resale goods) | 102 | 68 |
| | $ 4,831 | $ 3,813 |

During the three months ended March 31, 2015, charges were recorded to net income relating to obsolete, damaged or unsellable packaging inventory of $27 (2014 - $23) and relating to promotional and resale goods and damaged finished goods inventory of $60 (2014 - $36).

In the three months ended March 31, 2015, there were no reversals of amounts previously charged to income in respect of write-downs of inventory (2014 - $nil).

Finished goods inventory includes $169 (December 30, 2014 – $125) of amortization charges on production equipment used to convert raw materials to finished goods.

### 10. 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:

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Provincial liquor boards | $ 1,487 | $ 1,227 |
| Other receivables | 305 | 246 |
| **Total accounts receivable** | $ 1,792 | $ 1,473 |

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

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Less than 30 days | $ 1,572 | $ 1,372 |
| 30 – 60 days | 169 | 21 |
| 60 – 90 days | 13 | 27 |
| Over 90 days | 38 | 53 |
| **Total accounts receivable** | $ 1,792 | $ 1,473 |

The Corporation holds no collateral for any receivable amounts outstanding as at March 31, 2015.

### 11. PREPAID EXPENSES AND DEPOSITS

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

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Community sponsorship | $ 128 | $ 30 |
| Prepaid insurance | 45 | 84 |
| Property taxes | 57 | — |
| Equipment deposits, rental and maintenance | 577 | 403 |
| Public filing fees | 17 | — |
| Consulting | — | 4 |
| Promotional materials | 139 | 106 |
| Employee benefits | 5 | 28 |
| Other | 11 | 14 |
| | $ 979 | $ 669 |

### 12. SHARE CAPITAL

| | March 31, 2015 | | December 30, 2014 | |
|---|---|---|---|---|
| | # of shares | $ Amount | # of shares | $ Amount |
| Outstanding at beginning of period | 6,875,928 | 113,121 | 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 | 6,875,928 | 113,121 |

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

## 13. SHARE-BASED PAYMENTS

### 13.1 Share option plan

The Corporation has a share 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 share option plan.

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

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 |

No options were granted in the three months ended March 31, 2015 and thus a share-based compensation charge of $nil (2014 - $114) was recognized in statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

### 13.2 Share appreciation rights plans

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. All SARs issued on or after March 17, 2014 entitle the participant to receive the positive difference, if any, between the exercise price and the fair market value plus accrued dividends, if any.

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 March 31, 2015, 298,400 SARs were outstanding (December 30, 2014 – 303,800). During the three months ended March 31, 2015, no SARs were issued (2014 – 53,900), no SARs were exercised (2014 – 16,200) and 5,400 SARs expired (2014 – nil). As at March 31, 2015, the fair value of the SARs was calculated and resulted in a liability of $112 (December 30, 2014 - $216) and a recovery of $104 being recorded in general and administrative expenses (December 30, 2014 - $394).

At March 31, 2015, 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 | **0.52** | 0.33 | 0.41 |
| Risk-free interest rate (%) | **0.63** | 0.63 | 0.63 |
| Expected life of the SAR (years) | **4.45** | 3.96 | 3.46 |
| Dividend rate (%) | **0.00** | 0.00 | 0.00 |
| Volatility in the price of the Corporation's shares (%) | **28.5** | 28.5 | 28.5 |

**13.3 Outstanding share options**

The following is a summary of option transactions under the Corporation’s share option plan:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | # of options | Weighted average exercise price | # of options | Weighted average exercise price |
| Balance, beginning of year | 508,000 | $ 15.22 | 413,000 | $ 14.75 |
| Expired | — | — | — | — |
| Exercised | — | — | (8,000) | $ 15.62 |
| Issued | — | — | 58,500 | $ 18.06 |
| Balance, March 31 | 508,000 | $ 15.22 | 463,500 | $ 15.16 |

The following table summarizes information about share options outstanding and exercisable at March 31, 2015:

| Exercise price | # of Options outstanding at March 31, 2015 | Weighted average remaining contractual life (years) | Weighted average exercise price | # of Options exercisable at March 31, 2015 |
|---|---|---|---|---|
| $11.88 to $14.26 | 166,500 | 1.94 | $ 13.07 | 166,500 |
| $14.27 to $16.28 | 175,500 | 3.62 | $ 15.31 | 175,500 |
| $16.29 to $18.06 | 166,000 | 1.78 | $ 17.29 | 166,000 |
| Balance, March 31 | 508,000 | 2.47 | $ 15.22 | 508,000 |

**14. BANK INDEBTEDNESS AND LONG-TERM DEBT**

On March 13, 2015, Big Rock signed a commitment letter to replace the existing $12 million 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 commencing April 1, 2015. As at March 31, 2015, Big Rock was in compliance with all covenants.

As at March 31, 2015, $4,928 (December 30, 2014 - nil) was outstanding on the operating loan facility.

## 15. 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:

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Less than 30 days | $ 4,104 | $ 3,554 |
| 30 – 60 days | 9 | 25 |
| 60 – 90 days | – | – |
| Over 90 days | – | 4 |
| **Total accounts payable and accrued liabilities** | $ 4,113 | $ 3,583 |

## 16. DIVIDENDS PAYABLE

In March 2015, Big Rock announced the suspension of the Corporation's quarterly dividend until further notice. In March 2014, Big Rock declared dividends of $1,215 or $0.20 per share, which were paid on April 15, 2014.

In determining dividend levels, if any, in the future, 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.

## 17. 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.

| | March 31, 2015 | December 30, 2014 |
|---|---|---|
| Bank indebtedness (cash) | $ (131) | $ (1,484) |
| Total debt | 4,928 | – |
| Shareholders' equity: | | |
| Shareholders' capital | 113,121 | 113,121 |
| Contributed surplus | 1,083 | 1,083 |
| Accumulated deficit | (76,385) | (75,761) |
| Total shareholders' equity | 37,819 | 38,443 |
| Total capitalization (total debt plus shareholders' equity, net of cash balances) | $ 42,616 | $ 36,959 |

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 net 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 net debt is calculated by dividing debt minus cash by EBITDA.

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

## 18. CHANGE IN NON-CASH WORKING CAPITAL

| | Three months ended March 31 | |
|---|---|---|
| | 2015 | 2014 |
| Accounts payable and accrued liabilities | $ 233 | $ (2,917) |
| Inventory | (974) | (1,162) |
| Accounts receivable | (319) | (100) |
| Prepaid expenses | (310) | (329) |
| **Total change in non-cash working capital** | $ (1,370) | $ (4,508) |

## 19. 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 revenues were earned from domestic sources.

## 20. 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 March 31, 2015 are:

| | |
|---|---|
| Within one year | $ 479 |
| After one year but not more than five years | 2,409 |
| More than five years | 2,958 |
| | $ 5,846 |

As at March 31, 2015, lease payments of $105 (2014 - $8) were recognized as expense in the statement of comprehensive income.

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements of Big Rock Brewery Inc. for the three months ended March 31, 2015 were approved and authorized for issue by the Audit Committee on May 7, 2015.