



## BIG ROCK BREWERY INC. QUARTERLY REPORT

### THIRD QUARTER 2015 HIGHLIGHTS

\$ thousands (unless otherwise stated)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Sales volumes (hectolitres or hl)	55,132	48,376	139,164	129,074
Net revenue	11,834	10,556	29,952	28,117
Operating profit	104	1,017	(1,091)	939
Net income	76	764	(1,021)	730
Earnings per share (basic and diluted)	\$ 0.01	\$ 0.11	\$ (0.15)	\$ 0.11

### 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 nine months ended September 30, 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 nine months ended September 30, 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 November 5, 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 nine 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 ("Big Rock Urban") 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.

For the three months ended September 30, 2015, Big Rock grew volumes and revenue nationally, including in Alberta, the region where the fierce competition in the craft beer industry has been most keenly felt. Several new products were successfully launched in the three and nine months ended September 30, including a number of new private label beers which more closely align with the tastes of contemporary drinkers together with the rebranding and relaunch of AGD, Big Rock's most approachable lager.

The enthusiastic response to the rebranding and relaunching of these lower-priced products has compressed average margins. Additionally, margins in Alberta remain under sustained pressure as a result of changes to markup rates. A recent 27.5% increase in Alberta Gaming and Liquor Commission ("AGLC") markup rates increased beer and cider costs to consumers and hampered Big Rock's ability to implement a planned price increase to cover rising input costs. The Corporation has not introduced a general price increase in Alberta since November 2012. In October, AGLC introduced another change in markup rates. The immediate effect of this change was a partial rollback of the previous increase applicable to Big Rock but the longer-term effect is still being assessed by the Corporation.

Despite gains in sales volumes, the BC and Ontario markets experienced lower gross profit, exacerbated by increased selling and marketing expenses.

In British Columbia, margins relating to products distributed from Calgary were eroded by a shift in product mix towards lower priced beer. Selling and marketing costs increased due to the opening of Big Rock Urban in April 2015. The launch of Big Rock Urban has been well-received, with the brewery receiving multiple awards at the 2015 BC Beer Awards (including first place in the North American Amber/Brown Ale category). However, the brewery is still developing its beer portfolio and so is not yet selling at full capacity.

In Ontario, the combination of a shift in product mix towards lower priced products, at the same time as a shift in package type to bottles and tall cans from higher margin kegs, has negatively impacted profitability. This has been compounded by increased handling and listing costs from The Beer Store. Additionally, Big Rock has incurred higher promotional and selling costs in Ontario to build brand awareness in anticipation of the forthcoming brewery and restaurant scheduled for opening in early 2016. These costs have included well-received "pop-up shop" events at the restaurant's future location in Liberty Village.

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

\$ thousands (unless otherwise stated)	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volumes (hl)	55,132	50,051	33,980	39,194	48,376	46,597	34,100	39,328
Net revenue	11,834	11,054	7,064	8,638	10,556	10,414	7,147	9,096
Operating profit (loss)	104	(324)	(871)	(224)	1,017	342	(420)	(243)
Net income (loss)	76	(473)	(624)	(106)	764	276	(310)	(127)
Per hl net revenue	214.65	220.85	207.89	220.39	218.21	223.49	209.59	231.29
Per hl cost of sales	120.11	126.07	108.98	121.88	109.70	113.31	104.60	132.04
Per hl selling expenses	65.37	74.38	80.08	73.17	64.87	77.79	79.30	72.31
Per hl general and administrative	25.94	23.58	41.17	29.01	21.08	23.61	36.13	31.10
Per hl operating profit (loss)	1.89	(6.47)	(25.63)	(5.72)	21.02	7.34	(12.32)	(6.18)
Per hl net income (loss)	1.38	(9.45)	(18.36)	(2.70)	15.79	5.92	(9.09)	(3.23)
Earnings per share (basic and diluted)	\$ 0.01	\$ (0.07)	\$ (0.09)	\$ (0.02)	\$ 0.11	\$ 0.04	\$ (0.05)	\$ (0.02)
Dividends per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 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 increased 14.0% for the three months ended September 30, 2015 as compared to the same period last year. Big Rock's net revenue also increased 12.1% for the three months ended September 30, 2015 compared to the same period in 2014.

Sales volumes increased 7.8% for the nine months ended September 30, 2015 as compared to the same period last year. Big Rock's net revenue increased 6.5% for the nine months ended September 30, 2015 compared to the same period in 2014.

For both the three and nine months ended September 30, 2015, volumes increased due primarily to the successful launches of new private label products, LTO activity and the rebranding of the entry-level all-natural lager, AGD.

Net loss for the nine months included \$572 of start-up costs relating to both the Big Rock Urban location in BC, which commenced operations in April 2015, and the establishment of the forthcoming Ontario brewpub which will be located in Toronto's vibrant Liberty Village.

## Gross Profit

\$ thousands (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Net sales revenue	11,834	10,556	1,278	29,952	28,117	1,835
Cost of sales:						
Ingredients and packaging materials	3,562	2,977	585	8,898	7,646	1,252
Labour	1,638	1,193	445	4,288	3,489	799
Overhead	675	723	(48)	2,342	2,164	178
Inventory movement	165	(18)	183	(340)	(452)	112
Depreciation	582	432	150	1,447	1,306	141
Cost of sales	6,622	5,307	1,315	16,635	14,153	2,482
Gross profit	5,212	5,249	(37)	13,317	13,964	(647)
Sales volumes (hl)	55,132	48,376	6,756	139,164	129,074	10,090

Net sales revenues include product sales for beer and cider, together with restaurant and store sales from Big Rock Urban.

Net sales revenue increased \$1,278 (12.1%) and \$1,835 (6.5%) for the three months and nine months ended September 30, 2015, respectively, compared to the same periods in 2014. The increases were primarily attributable to Big Rock Urban commencing commercial operations in April 2015 which generated revenue for the quarter of \$500, as well as increased beer and cider revenue on increased sales volumes. For the three and nine months ended September 30, 2015, beer and cider revenue increased by \$740 and \$778, respectively, which was less than the increase in sales volumes due to the shift in the product mix towards lower priced and private label brands as a result of the successful launches of several new private label products, LTO activity and the rebranding and re-launch of AGD. Geographically, Alberta and BC continued to represent the largest shares of the Corporation's sales.

For the three and nine months ended September 30, 2015, total cost of sales increased by \$1,315 and \$2,482 compared to the same periods last year, as described below:

- Costs relating to ingredients and packaging materials increased \$585 for the quarter due to increased can sales as well as for the cost of ingredients for the Big Rock Urban restaurant, for which there were no equivalent costs in the comparative period. Costs increased \$1,252 for the year to date September 30, 2015 for the same reasons.
- When compared to the same periods in 2014, labour charges for the second quarter of 2015 increased \$445 and for the year to date increased \$799, primarily due to increased headcount resulting from the commencement of Big Rock Urban operations.
- Overhead costs include utilities, repairs and maintenance and other production related amounts, which are primarily fixed in nature. Overhead costs at September 30, 2015 decreased by \$48 compared to the three months ended September 30, 2014 mainly due to lower consulting and repairs and maintenance expenses. Overhead costs increased \$178 on a year to date basis mainly due to Big Rock Urban lease expenses, for which there were no equivalent costs in the comparative period. There were also incremental increases in utilities charges and other supplies charges related to Big Rock Urban.
- 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 earnings for those costs as finished goods inventory is sold. For the quarter and year to date ended September 30, 2015, charges relating to inventory movement increased by \$183 and \$112, 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 and nine months ended September 30, 2015 included an increase in costs of \$150 and \$141, respectively, which was driven by depreciation associated with new BC operations and inventory movement.

On a per hectolitre basis, cost of sales increased by \$10.41 per hl (9.5%) for the three months ended September 30, 2015 compared to the same period in 2014. For the nine months ended September 30, 2015, cost of sales increased by \$9.89 per hl (9.0%). Increased ingredients and packaging materials costs and labour were the primary drivers of the increase, as detailed in the following table:

#### Per hectolitre cost of sales

	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Net sales revenue	214.65	218.21	(3.56)	215.23	217.84	(2.61)
Cost of sales:						
Ingredients and packaging materials	64.61	61.53	3.08	63.94	59.23	4.71
Labour	29.71	24.66	5.05	30.81	27.03	3.78
Overhead	12.24	14.95	(2.71)	16.83	16.77	0.06
Inventory movement	2.99	(0.37)	3.36	(2.44)	(3.50)	1.06
Depreciation	10.56	8.93	1.63	10.40	10.12	0.28
Cost of sales	120.11	109.70	10.41	119.54	109.65	9.89

#### Selling expenses

\$ thousands (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Selling:						
Delivery and distribution	984	829	155	2,558	2,324	234
Salaries and benefits	848	771	77	2,431	2,515	(84)
Marketing	267	196	71	773	820	(47)
Regional sales	1,086	961	125	3,273	2,984	289
Community sponsorship and other	419	381	38	1,013	824	189
Total selling expenses	3,604	3,138	466	10,048	9,467	581

Selling expenses have increased for the quarter by \$466 and \$581 for the nine months ended September 30, 2015, when compared to the same periods in the prior year, as detailed below:

- Delivery and distribution costs increased \$155 and \$234 in the quarter and the nine months ended September 30, 2015, respectively, primarily as a result of higher volumes delivered.
- Salaries and benefit costs increased by \$77 for the third quarter due to an increase in both headcount and severance expenses. Costs decreased by \$84 for the year to date due to reduced severance costs and bonus accruals.
- Marketing increased \$71 in the quarter due to various marketing initiatives associated with the BC Brewery as well as Big Rock's 30<sup>th</sup> anniversary party. Label artwork and design expenses also increased. Marketing costs decreased \$47 on a year to date basis primarily as a result of reduced consulting and research costs.
- Regional sales expenses, when compared to the same periods in the prior year, increased by \$125 for the quarter and \$289 for the year to date. The increase in both instances was related to increases in promotional materials, commissions and hospitality expenses.
- Community sponsorship and other expenses increased \$38 and \$189 for the three and nine months ended September 30, 2015, respectively, due to increased community activity.

On a per hectolitre basis, selling expenses increased by \$0.50 per hl (0.8%) for the three months ended September 30, 2015 compared to the same period in 2014. For the nine months ended September 30, 2015, selling expenses decreased by \$1.15 per hl (1.6%). Decreased salaries and benefits and marketing were primary drivers of the decrease, as detailed in the following table:

#### Per hectolitre selling expenses

	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Selling:						
Delivery and distribution	17.85	17.14	0.71	18.38	18.01	0.37
Salaries and benefits	15.38	15.94	(0.56)	17.47	19.48	(2.01)
Marketing	4.84	4.05	0.79	5.55	6.35	(0.80)
Regional sales	19.70	19.86	(0.16)	23.52	23.13	0.39
Community sponsorship and other	7.60	7.88	(0.28)	7.28	6.38	0.90
Selling expenses	65.37	64.87	0.50	72.20	73.35	(1.15)

#### General and Administrative expenses

\$ thousands (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
General and Administrative:						
Salaries and benefits	594	520	74	1,623	1,795	(172)
Professional fees	218	106	112	532	467	65
Building maintenance and taxes	180	139	41	427	379	48
Office, administrative and other	329	167	162	1,034	442	592
Reporting and filing fees	17	31	(14)	99	83	16
Insurance	59	52	7	178	156	22
Bank charges	33	5	28	116	30	86
Total general and administrative expenses	1,430	1,020	410	4,009	3,352	657

For the three months and nine months ended September 30, 2015, general and administrative expenses increased by \$410 and \$657 when compared with the same periods in 2014 as detailed below:

- Salaries and benefit costs increased by \$74 in the quarter due to adjustments to the valuation of awards under the Corporation's stock appreciation rights ("SAR") program. Costs decreased \$172 for the nine months ended September 30, 2015 when compared to the same period in 2014 as a result of reduced headcount and bonus accruals.
- Professional fees, which include legal, audit, tax, accounting and other advisory and consulting services, were \$112 higher for the third quarter mainly as a result of increased recruitment costs. Costs were \$65 higher for the year to date, compared to the same periods last year, primarily due to increased legal expenses and consulting fees.
- Office, administration and other increased \$162 for the three months ended September 30, 2015 and \$592 for the year to date, compared to the 2014 comparative periods, due to the inclusion of start-up costs incurred for Big Rock Urban and the establishment of the Toronto brewpub.
- Reporting and filing fees for the quarter decreased \$14 and for the nine months ended September 30, 2015 were \$16 higher than in the same period of 2014, due to timing of TSX filing fees.

- Insurance for the quarter and year to date ended September 30, 2015 increased \$7 and \$22, respectively, mainly due to increased coverage that extends to BC and Ontario sites.
- Bank charges were higher by \$28 and 86, respectively, for the three months and year to date ended September 30, 2015 when compared to the same period last year as a result of fees associated with Big Rock's term loan and operating loan facilities.

Excluding costs related to the Big Rock Urban and the new Toronto facility, general and administrative expenses for the three and nine months ended September 30, 2015 would have increased by \$229 (22.5%) and \$89 (2.7%), respectively, when compared with the same periods in 2014.

### Finance expenses

\$ thousands (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Interest on long-term debt	27	—	27	53	11	42
Interest on operating facility	10	(21)	31	73	(37)	110
Total finance expenses (income)	37	(21)	58	126	(26)	152
Weighted average effective interest rate	5.62%	0.00%		5.25%	3.22%	

The principal amount of long-term debt was \$3,035 as at September 30, 2015 compared to \$nil as at September 30, 2014. The outstanding balance on the operating loan facility was \$nil as at September 30, 2015 compared to \$nil as at September 30, 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 nine months ended September 30, 2015 compared to the same period last year is due to the higher balances outstanding.

### Depreciation and amortization

\$ thousands (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Depreciation included in cost of sales	582	432	150	1,447	1,306	141
Depreciation - other	65	67	(2)	325	186	139
Amortization	9	7	2	26	20	6
Total	656	506	150	1,798	1,512	286

For the quarter ended September 30, 2015 depreciation expense included in cost of sales increased by \$150 while for the nine months ended, depreciation expense included in cost of sales increased by \$141 compared with the same period last year due to the inclusion of BC assets and inventory movement.

Other depreciation, which relates to non-production assets, increased for the nine months ended September 30, 2015 due to additions since September 2014.

Amortization expense, which relates to intangible assets, which include software, naming rights and website costs, increased slightly due to software additions since September 2014.

### Other

\$ thousands (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Other income	125	93	32	391	220	171
Other expenses	43	36	7	106	97	9

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 (unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Deferred income tax expense (recovery)	(17)	8	(25)	(106)	(584)	478
Current income tax expense	90	323	(233)	195	942	(747)

Current income tax expenses of \$90 were recorded for the three months ended September 30, 2015 (2014 - \$323) bringing the year to date current tax expense to \$195 (2014 - \$942). These taxes arise from the transitional provisions on the taxation of partnership deferral structures.

During the three months ended September 30, 2015, the Corporation recorded a deferred income tax recovery of \$17, bringing the year to date deferred tax recovery to \$106 compared to a recovery of \$584 for the same nine month period last year.

The deferred income tax provision differs from the statutory rate of 26.04% (2014 - 25.18%) 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 September 30, 2015:

\$ thousands (unless otherwise stated)	Increase/ (Decrease)	Primary factors explaining change
Property, plant and equipment	2,427	BC building and machinery additions, net of amortization
Intangible assets	275	Computer software additions, net of amortization
Inventories	750	Increases in finished goods, brews in progress, consignment product and dry goods store due to Big Rock Urban increasing production as well as retail sales
Accounts receivable	698	Higher day sales outstanding from BC
Prepaid expenses and other	820	Deposits on new equipment for Ontario brewery
Long term debt	3,035	Draws on term loans
Deferred income taxes	(106)	Tax effect of changes in temporary differences
Share based payments liability	(27)	Lower SAR valuation
Current income taxes	(2,225)	Reduction in tax instalment payments
Accounts payable and accrued liabilities	559	Timing of supplier payments
Dividends payable	(1,375)	No dividends payable in 2015
Bank indebtedness	603	Combined balance of certain bank accounts in overdraft position



## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

\$ thousands (unless otherwise stated)	September 30, 2015	December 30, 2014
Bank indebtedness (cash)	(579)	(1,484)
Total debt	3,638	—
Shareholders' equity:		
Shareholders' capital	113,121	113,121
Contributed surplus	1,255	1,083
Accumulated deficit	(76,782)	(75,761)
Total shareholders' equity	37,594	38,443
Total capitalization (total debt plus shareholders' equity, net of cash balances)	40,653	36,959
Total debt to capitalization ratio	8.9%	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 September 30, 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 November 5, 2015 there were 6,875,928 issued and outstanding shares and the closing price was \$5.45 per share.

Based upon 6,875,928 issued shares, the Corporation has an approximate market capitalization of \$37.5 million.

### Share Based Compensation Plan

On September 10, 2015, the Corporation granted 58,500 options at an exercise price of \$5.82 per share with an expiry date of September 10, 2020.

The weighted average fair value of the options issued during the three months ended September 30, 2015 was estimated using the Black-Scholes option pricing model.

The weighted average assumptions used for the calculation were:

	September 2015	May 2015	September 2014	March 2014
Weighted average fair value per option	1.33	1.60	1.54	1.95
Risk-free interest rate (%)	0.65	0.89	1.42	1.42
Expected life of the options (years)	4	4	4	4
Dividend rate (%)	0.00	0.00	5.06	4.44
Volatility in the price of the Corporation's shares (%)	29.4	28.7	22.4	22.4

A share-based compensation charge of \$172 (2014 - \$204) for the options granted in the nine months ended September 30, 2015 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	(96,000)	\$ 16.31	(14,000)	\$ 16.15
Exercised	—	—	(8,000)	\$ 15.62
Issued	117,000	\$ 6.64	117,000	\$ 17.01
Balance, September 30	529,000	\$ 13.13	508,000	\$ 15.22

The following table summarizes information about share options outstanding and exercisable at September 30, 2015:

Exercise price	# of Options outstanding at September 30, 2015	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at September 30, 2015
\$5.82 to \$12.97	154,500	3.86	\$ 7.97	154,500
\$12.98 to \$14.98	175,500	1.93	\$ 13.99	175,500
\$14.99 to \$18.06	199,000	3.10	\$ 16.37	199,000
Balance, September 30	529,000	2.93	\$ 13.13	529,000

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.

In September 2015, the Corporation granted 73,000 SARs with an exercise price of \$5.82 (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 September 30, 2015, 414,900 SARs were outstanding (December 30, 2014 - 303,800). During the nine months ended September 30, 2015, 130,000 SARs were issued (2014 - 107,900), no SARs were exercised (2014 - 16,200) and 18,900 SARs expired (2014 - nil). As at September 30, 2015, the fair value of the SARs was calculated and resulted in a liability of \$189 (December 30, 2014 - \$216) and a recovery of \$27 being recorded in general and administrative expenses (December 30, 2014 - \$394).

At September 30, 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 2015	May 2015	September 2014	March 2014
Weighted average fair value per SAR	1.58	1.02	0.11	0.05
Risk-free interest rate (%)	0.80	0.76	0.67	0.60
Expected life of the SAR (years)	4.95	4.62	3.95	3.47
Dividend rate (%)	0.00	0.00	0.00	0.00
Volatility in the price of the Corporation's shares (%)	29.7	29.7	29.7	29.7

## Cash Flows

\$ thousands	Three months ended September 30			Nine months ended September 30		
	2015	2014	Change	2015	2014	Change
<b>OPERATING ACTIVITIES</b>						
Net income for the period, adjusted for items not affecting cash	825	1,254	(429)	702	1,824	(1,122)
Net change in non-cash working capital related to operations	2,054	(264)	2,318	527	(5,242)	5,769
Cash provided by (used in) operating activities	2,879	990	1,889	1,229	(3,418)	4,647
<b>FINANCING ACTIVITIES</b>						
Increase (decrease) in bank indebtedness	(3,798)	—	(3,798)	603	—	603
Proceeds from share issuance	—	—	—	—	12,633	(12,633)
Exercise of options	—	—	—	—	125	(125)
Dividend payments	—	(1,375)	1,375	(1,375)	(3,805)	2,430
Exercise of stock appreciation rights	—	—	—	—	(74)	74
Proceeds from long-term debt	1,085	—	1,085	3,035	—	3,035
Cash provided by (used in) financing activities	(2,713)	(1,375)	(1,338)	2,263	8,879	(6,616)
<b>INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	(592)	(1,061)	469	(4,243)	(2,827)	(1,416)
Purchase of intangibles	(35)	(15)	(20)	(301)	(25)	(276)
Proceeds from sale of equipment	46	—	46	147	140	7
Cash used in investing activities	(581)	(1,076)	495	(4,397)	(2,712)	(1,685)
<b>Net change in cash</b>	<b>(415)</b>	<b>(1,461)</b>	<b>1,046</b>	<b>(905)</b>	<b>2,749</b>	<b>(3,654)</b>

## Operating Activities

Cash provided by operating activities for the three months ended September 30, 2015 totalled \$2,879, an increase of \$1,889 compared to the same period last year, mainly as a result of higher non-cash working capital. Cash provided by operating activities for the nine months ended September 30, 2015 totalled \$1,229, an increase of \$4,647 compared to the same period last year, mainly for the same reason.

## Financing Activities

Cash used in financing activities for the three months ended September 30, 2015 decreased by \$1,338 compared with the same period in 2014. The decrease is a result of paying down the operating line facility during the quarter.

Cash provided by financing activities for the nine months ended September 30, 2015 decreased by \$6,616 compared with the same period in 2014. The decrease is a result of the prior year's large proceeds received from the share issuance. The current year had no such instance; however proceeds received from drawing on the term loans slightly offset the decrease.

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 September 30, 2015, \$1,900 (December 30, 2014 - nil) was drawn on the term loan facility and \$nil (December 30, 2014 - nil) was outstanding on the operating loan facility.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios. As at September 30, 2015, Big Rock was in compliance with all covenants.

On July 9, 2015 Big Rock signed a commitment letter for a \$2.5 million lease financing facility which is available to finance the purchase of equipment relating to Big Rock's Ontario expansion. Interest will be charged at the financial institution's prime plus 3.67 per cent. As at September 30, 2015, \$1,135 was drawn on the facility. The lease term will commence upon the earlier of the final equipment progress payment and June 30, 2016 and continue for 5 years.

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 (unless otherwise stated)	Nine months ended September 30, 2015	Nine months ended September 30, 2014
EBITDA	\$ 992	\$ 2,574
Deduct: Depreciation & Amortization	1,798	1,512
Earnings before interest and taxes	(806)	1,062
Deduct: Interest	126	(26)
Deduct: Income tax charge	89	358
Net income	\$ (1,021)	\$ 730

## Investing Activities

For the three and nine months ended September 30, 2015, capital spending, net of dispositions, was \$581 and \$4,397, respectively, compared to \$1,076 and \$2,712 for the same periods in 2014. Capital

spending for the quarter ended September 30, 2015, net of dispositions, included net cash received of \$38 in respect of kegs (2014 - purchases of \$81), \$4 relating to land (2014 - \$nil), net cash received of \$2 in respect of vehicles (2014 - purchases of \$14), \$432 (2014 -\$40) for brewing and packaging equipment, \$166 (2014 - \$886) relating to buildings and warehouses, net cash received of \$16 in respect of office furniture and equipment (2014 - purchases of \$40) and \$35 (2014 - \$15) for the purchase of intangible assets.

Capital spending, net of dispositions, for the nine months ended September 30, 2015 included net cash received of \$63 in respect of kegs (2014 - purchases of \$96), \$13 relating to land (2014 - \$nil), \$68 (2014 - \$183) for the purchase of new vehicles, \$1,467 (2014 -\$455) for brewing and packaging equipment, \$1,793 (2014 - \$1,783) relating to buildings and warehouses, \$818 (2014 - \$170) for the purchase of office furniture and equipment and \$301 for the purchase of intangible assets (2014 - \$25).

### **Cash Dividends**

In March 2015, Big Rock announced the suspension of the Corporation's quarterly dividend until further notice. In September 2014, Big Rock declared dividends of \$1,375 or \$0.20 per share, which were paid on October 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. Stock based compensation expense with respect to options recognized during the nine months ended September 30, 2015 was \$172 (2014 - \$204), while the recovery recognized with respect to SARs was \$27 (2014 - \$79) 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.

On October 27, 2015, the Alberta government announced a change to mark-up rates applicable to Big Rock. While the immediate impact is favourable to Big Rock, the longer-term implications are currently being assessed.

### **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 and nine months ended September 30, 2015 was 5.62% (2014 - 0.00%) and 5.25% (2014 - 3.22%) 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 17, 2015 that is available on [www.sedar.com](http://www.sedar.com).

## FUTURE ACCOUNTING PRONOUNCEMENTS

### IFRS Policies

The Corporation's interim financial statements as at and for the three months ended September 30, 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, 2018. 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 to mid 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;
- the Corporation's plans to establish a brewery and a brewpub in Ontario and the anticipated opening dates there; and
- the impact of recent changes in Alberta markup rates.

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](http://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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net revenue (Note 3)	\$ 11,834	\$ 10,556	\$ 29,952	\$ 28,117
Cost of sales (Note 4)	6,622	5,307	16,635	14,153
<b>Gross profit</b>	<b>5,212</b>	<b>5,249</b>	<b>13,317</b>	<b>13,964</b>
<b>Expenses</b>				
Selling expenses (Note 5)	3,604	3,138	10,048	9,467
General and administrative (Note 6)	1,430	1,020	4,009	3,352
Depreciation and amortization	74	74	351	206
Operating expenses	5,108	4,232	14,408	13,025
<b>Operating profit (loss)</b>	<b>104</b>	<b>1,017</b>	<b>(1,091)</b>	<b>939</b>
Finance expenses (income) (Note 7)	37	(21)	126	(26)
Other income	125	93	391	220
Other expenses	43	36	106	97
<b>Income (loss) before income taxes</b>	<b>149</b>	<b>1,095</b>	<b>(932)</b>	<b>1,088</b>
Current income tax expense	90	323	195	942
Deferred income tax expense (recovery)	(17)	8	(106)	(584)
<b>Net income (loss) and comprehensive income for the period</b>	<b>\$ 76</b>	<b>\$ 764</b>	<b>\$ (1,021)</b>	<b>\$ 730</b>

## Net income (loss) per share (Note 8)

Basic and diluted	\$ 0.01	\$ 0.11	\$ (0.15)	\$ 0.11
-------------------	---------	---------	-----------	---------

*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)

	September 30, 2015	December 30, 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	\$ 40,749	\$ 38,322
Intangible assets	440	165
	41,189	38,487
<b>Current</b>		
Inventories (Note 9)	4,563	3,813
Accounts receivable (Note 10)	2,171	1,473
Prepaid expenses and other (Note 11)	1,489	669
Current taxes receivable	16	2,241
Cash	579	1,484
	8,818	9,680
<b>Total assets</b>	<b>\$ 50,007</b>	<b>\$ 48,167</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>EQUITY</b>		
Shareholders' capital (Note 12)	\$ 113,121	\$ 113,121
Contributed surplus (Note 12 and 13)	1,255	1,083
Accumulated deficit	(76,782)	(75,761)
	37,594	38,443
<b>LIABILITIES</b>		
<b>Non-current</b>		
Long term debt (Note 14)	2,778	—
Share based payment liabilities (Note 13)	189	216
Deferred income taxes	4,444	4,550
	7,411	4,766
<b>Current</b>		
Accounts payable and accrued liabilities (Note 15)	4,142	3,583
Dividends payable (Note 16)	—	1,375
Current portion of long term debt (Note 14)	257	—
Bank indebtedness (Note 14)	603	—
	5,002	4,958
<b>Total liabilities and shareholders' equity</b>	<b>\$ 50,007</b>	<b>\$ 48,167</b>

*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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ 76	\$ 764	\$ (1,021)	\$ 730
Items not affecting cash:				
Depreciation and amortization	656	506	1,798	1,512
Loss/(Gain) on sale of assets	(31)	—	(114)	42
Stock based compensation	141	(23)	145	125
Deferred income tax expense (recovery)	(17)	7	(106)	(585)
	825	1,254	702	1,824
Net change in non-cash working capital related to operations (Note 18)	2,054	(264)	527	(5,242)
<b>Cash provided by (used in) operating activities</b>	<b>2,879</b>	<b>990</b>	<b>1,229</b>	<b>(3,418)</b>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in bank indebtedness	(3,798)	—	603	—
Proceeds from share issuance	—	—	—	12,633
Exercise of options	—	—	—	125
Dividend payments	—	(1,375)	(1,375)	(3,805)
Exercise of stock appreciation rights	—	—	—	(74)
Proceeds from long-term debt	1,085	—	3,035	—
<b>Cash (used in) provided by financing activities</b>	<b>(2,713)</b>	<b>(1,375)</b>	<b>2,263</b>	<b>8,879</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(592)	(1,061)	(4,243)	(2,827)
Purchase of intangibles	(35)	(15)	(301)	(25)
Proceeds from sale of equipment	46	—	147	140
<b>Cash used in investing activities</b>	<b>(581)</b>	<b>(1,076)</b>	<b>(4,397)</b>	<b>(2,712)</b>
<b>Net increase (decrease) in cash</b>	<b>(415)</b>	<b>(1,461)</b>	<b>(905)</b>	<b>2,749</b>
Cash, beginning of period	994	6,527	1,484	2,317
<b>Cash, end of period</b>	<b>\$ 579</b>	<b>\$ 5,066</b>	<b>\$ 579</b>	<b>\$ 5,066</b>
<b>Supplemental cash-flow information</b>				
Cash interest paid	\$ 37	\$ 1	\$ 127	\$ 18
Cash taxes paid	\$ —	\$ 723	\$ 241	\$ 3,750

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)*

	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance as at December 30, 2013	\$ 100,109	\$ 892	\$ (71,043)	\$ 29,958
Share-based payments	—	204	—	204
Issuance of shares for cash	12,874	—	—	12,874
Stock options exercised	138	(13)	—	125
Total comprehensive income (loss)	—	—	730	730
Dividends declared (Note 16)	—	—	(3,967)	(3,967)
Balance as at September 30, 2014	\$ 113,121	\$ 1,083	\$ (74,280)	\$ 39,924
Total comprehensive income (loss)	—	—	(106)	(106)
Dividends declared	—	—	(1,375)	(1,375)
Balance as at December 30, 2014	\$ 113,121	\$ 1,083	\$ (75,761)	\$ 38,443
Share-based payments	—	172	—	172
Total comprehensive income (loss)	—	—	(1,021)	(1,021)
Balance as at September 30, 2015	\$ 113,121	\$ 1,255	\$ (76,782)	\$ 37,594

*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 - 76<sup>th</sup> 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
<b>Subsidiary</b>			
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.
- 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, 2018. 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).

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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Gross Product Revenues	\$ 15,600	\$ 13,497	\$ 39,357	\$ 35,964
Excise Taxes	(1,339)	(1,190)	(3,525)	(3,287)
Alberta Gaming and Liquor Commission ("AGLC") Commissions	(2,427)	(1,751)	(5,880)	(4,560)
Net Revenue	\$ 11,834	\$ 10,556	\$ 29,952	\$ 28,117

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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Operating expenses	\$ 6,040	\$ 4,875	\$ 15,188	\$ 12,847
Depreciation and amortization	582	432	1,447	1,306
Cost of sales	\$ 6,622	\$ 5,307	\$ 16,635	\$ 14,153

### 5. SELLING EXPENSES

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Delivery and distribution costs	\$ 984	\$ 829	\$ 2,558	\$ 2,324
Salaries and benefits	848	771	2,431	2,515
Marketing	267	196	773	820
Regional sales	1,086	961	3,273	2,984
Community sponsorship and other	419	381	1,013	824
Selling expenses	\$ 3,604	\$ 3,138	\$ 10,048	\$ 9,467

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Salaries and benefits <sup>(1)</sup>	\$ 594	\$ 520	\$ 1,623	\$ 1,795
Professional fees	218	106	532	467
Reporting and filing fees	17	31	99	83
Insurance	59	52	178	156
Building maintenance and taxes	180	139	427	379
Bank charges	33	5	116	30
Office, administrative and other	329	167	1,034	442
General and administrative expenses	\$ 1,430	\$ 1,020	\$ 4,009	\$ 3,352

(1) For the three and nine months ended September 30, 2015 salaries and benefits included stock option expense of \$78 (2014 - \$90) and \$172 (2014 - \$204), respectively. Also included, for the three and nine months ended September 30, 2015, is a stock appreciation rights expense of \$63 (2014 - recovery of \$113) and recovery of \$27 (2014 - \$79), respectively.

## 7. FINANCE EXPENSES (INCOME)

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest on long-term debt	\$ 27	\$ —	\$ 53	\$ 11
Interest on operating facility	10	(21)	73	(37)
Finance expenses (income)	\$ 37	\$ (21)	\$ 126	\$ (26)

## 8. INCOME (LOSS) PER SHARE

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

Basic	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net income (loss)	\$ 76	\$ 764	\$ (1,021)	\$ 730
Shares outstanding, beginning of the period	6,875,928	6,875,928	6,875,928	6,068,678
Weighted average # of shares issued during the period	—	—	—	511,409
Basic # shares outstanding during the period	6,875,928	6,875,928	6,875,928	6,580,087
Basic income (loss) per share	\$ 0.01	\$ 0.11	\$ (0.15)	\$ 0.11

Diluted	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net income (loss)	\$ 76	\$ 764	\$ (1,021)	\$ 730
Basic # shares outstanding during the period	6,875,928	6,875,928	6,875,928	6,580,087
Weighted average # of shares issuable on dilutive options, during the period	—	44,978	—	61,004
Diluted # shares outstanding during the period	6,875,928	6,920,906	6,875,928	6,641,091
Diluted income (loss) per share	\$ 0.01	\$ 0.11	\$ (0.15)	\$ 0.11

## 9. INVENTORIES

The inventories for the Corporation are categorized as follows:

	September 30, 2015	December 30, 2014
Raw materials and containers	\$ 1,208	\$ 1,229
Brews in progress	961	734
Finished product	1,920	1,714
Consignment product	296	68
Dry goods store (resale goods)	178	68
	\$ 4,563	\$ 3,813

During the three and nine months ended September 30, 2015, charges of \$91 (2014 - \$28) and \$313 (2014 - \$134), respectively, were recorded to net income relating to obsolete, damaged or unsellable packaging inventory and promotional and resale goods, and damaged finished goods inventory.

In the three and nine months ended September 30, 2015, there were no reversals of amounts previously charged to income in respect of write-downs of inventory (2014 - \$nil).

Finished goods inventory includes \$136 (December 30, 2014 - \$125) of depreciation 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:

	September 30, 2015	December 30, 2014
Provincial liquor boards	\$ 1,928	\$ 1,227
Other receivables	243	246
<b>Total accounts receivable</b>	<b>\$ 2,171</b>	<b>\$ 1,473</b>

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

	September 30, 2015	December 30, 2014
Less than 30 days	\$ 1,558	\$ 1,372
30 - 60 days	26	21
60 - 90 days	75	27
Over 90 days	512	53
<b>Total accounts receivable</b>	<b>\$ 2,171</b>	<b>\$ 1,473</b>

The Corporation holds no collateral for any receivable amounts outstanding as at September 30, 2015.

## 11. PREPAID EXPENSES AND DEPOSITS

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

	September 30, 2015	December 30, 2014
Community sponsorship	\$ 23	\$ 30
Prepaid insurance	151	84
Property taxes	41	—
Equipment deposits, rental and maintenance	1,194	403
Public filing fees	13	—
Consulting	24	4
Promotional materials	15	106
Employee benefits	5	28
Other	23	14
	<b>\$ 1,489</b>	<b>\$ 669</b>

## 12. SHARE CAPITAL

	September 30, 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
<b>Outstanding at end of period</b>	<b>6,875,928</b>	<b>113,121</b>	<b>6,875,928</b>	<b>113,121</b>

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.

On September 10, 2015, the Corporation granted 58,500 options at an exercise price of \$5.82 per share with an expiry date of September 10, 2020.

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 2015	May 2015	September 2014	March 2014
Weighted average fair value per option	1.33	1.60	1.54	1.95
Risk-free interest rate (%)	0.65	0.89	1.42	1.42
Expected life of the options (years)	4	4	4	4
Dividend rate (%)	0.00	0.00	5.06	4.44
Volatility in the price of the Corporation's shares (%)	29.4	28.7	22.4	22.4

A share-based compensation charge of \$172 for the options granted in the nine months ended September 30, 2015 (2014 - \$204) 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.

In September 2015, the Corporation granted 73,000 SARs with an exercise price of \$5.82 (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 September 30, 2015, 414,900 SARs were outstanding (December 30, 2014 - 303,800). During the nine months ended September 30, 2015, 130,000 SARs were issued (2014 - 107,900), no SARs were exercised (2014 - 16,200) and 18,900 SARs expired (2014 - nil). As at September 30, 2015, the fair value of the SARs was calculated and resulted in a liability of \$189 (December 30, 2014 - \$216) and a recovery of \$27 being recorded in general and administrative expenses (December 30, 2014 - \$394).

At September 30, 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 2015	May 2015	September 2014	March 2014
Weighted average fair value per SAR	1.58	1.02	0.11	0.05
Risk-free interest rate (%)	0.80	0.76	0.67	0.60
Expected life of the SAR (years)	4.95	4.62	3.95	3.47
Dividend rate (%)	0.00	0.00	0.00	0.00
Volatility in the price of the Corporation's shares (%)	29.7	29.7	29.7	29.7

### 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
Exercised	—	—	(8,000)	\$ 15.62
Issued	—	—	58,500	\$ 18.06
Balance, March 31	508,000	\$ 15.22	463,500	\$ 15.16
Expired	—	—	(8,000)	\$ 15.62
Issued	58,500	\$ 7.46	—	—
Balance, June 30	566,500	\$ 14.42	455,500	\$ 15.15
Expired	(96,000)	\$ 16.31	(6,000)	\$ 16.87
Issued	58,500	\$ 5.82	58,500	\$ 15.96
Balance, September 30	529,000	\$ 13.13	508,000	\$ 15.22

The following table summarizes information about share options outstanding and exercisable at September 30, 2015:

Exercise price	# of Options outstanding at September 30, 2015	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at September 30, 2015
\$5.82 to \$12.97	154,500	3.86	\$ 7.97	154,500
\$12.98 to \$14.98	175,500	1.93	\$ 13.99	175,500
\$14.99 to \$18.06	199,000	3.10	\$ 16.37	199,000
Balance, September 30	529,000	2.93	\$ 13.13	529,000

### 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 imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios commencing April 1, 2015. As at September 30, 2015, Big Rock was in compliance with all covenants.

As at September 30, 2015, \$1,900 (December 30, 2014 - nil) was drawn on the term loan facility and \$nil (December 30, 2014 - nil) was outstanding on the operating loan facility.

On July 9, 2015 Big Rock signed a commitment letter for a \$2.5 million lease financing facility which is available to finance the purchase of equipment relating to Big Rock's Ontario expansion. Interest will be charged at the financial institution's prime plus 3.67 per cent. The facility matures after a term of 5 years. As at September 30, 2015, \$1,135 was drawn on the facility. The lease term will commence upon the earlier of the final equipment progress payment and June 30, 2016 and continue for 5 years.

## 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 production, 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:

	September 30, 2015	December 30, 2014
Less than 30 days	\$ 4,130	\$ 3,554
30 - 60 days	—	25
60 - 90 days	—	—
Over 90 days	12	4
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 4,142</b>	<b>\$ 3,583</b>

## 16. DIVIDENDS PAYABLE

In March 2015, Big Rock announced the suspension of the Corporation's quarterly dividend until further notice. In September 2014, Big Rock declared dividends of \$1,375 or \$0.20 per share, which were paid on October 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, 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.



	September 30, 2015	December 30, 2014
Bank indebtedness (cash)	\$ (579)	\$ (1,484)
Total debt	3,638	—
Shareholders' equity:		
Shareholders' capital	113,121	113,121
Contributed surplus	1,255	1,083
Accumulated deficit	(76,782)	(75,761)
Total shareholders' equity	37,594	38,443
Total capitalization (total debt plus shareholders' equity, net of cash balances)	\$ 40,653	\$ 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Accounts payable and accrued liabilities	\$ 1,201	\$ (534)	\$ 2,784	\$ (3,146)
Inventory	254	(122)	(739)	(1,238)
Accounts receivable	629	507	(698)	(220)
Prepaid expenses	(30)	(115)	(820)	(638)
Total change in non-cash working capital	\$ 2,054	\$ (264)	\$ 527	\$ (5,242)

#### 19. 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 September 30, 2015 are:

Within one year	\$ 621
After one year but not more than five years	3,571
More than five years	2,232
	\$ 6,424

As at September 30, 2015, lease payments of \$603 (2014 - \$105) were recognized as expense in the statement of comprehensive income.

## 20. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements of Big Rock Brewery Inc. for the nine months ended September 30, 2015 were approved and authorized for issue by the Audit Committee on November 5, 2015.