BIG ROCK BREWERY INC.
QUARTERLY REPORT

THIRD QUARTER 2016 HIGHLIGHTS

($ thousands, except volumes and per share amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Sales volumes (hectolitres or hl)	54,837	55,132	154,065	139,164
Net revenue	11,856	11,905	33,191	30,147
Operating profit (loss)	416	133	(46)	(1,002)
Net income (loss)	234	76	(166)	(1,021)
Earnings per share (basic and diluted)	$ 0.03	$ 0.01	$ (0.02)	$ (0.15)

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 and nine months ended September 30, 2016, as compared to the same period in 2015.

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, 2016 (the "Financial Statements") and in conjunction with the December 30, 2015 audited consolidated financial statements and MD&A contained within our 2015 Annual Report. The financial statements have been prepared using International Financial Reporting Standards ("IFRS"). All amounts are reported in thousands of Canadian dollars except where otherwise noted.

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

The MD&A is dated November 3, 2016.

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 broad family of 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 across Canada and exported to Korea.

In April 2015, Big Rock expanded its physical presence to British Columbia ("BC") when it officially opened its brewery and eatery in Vancouver's thriving craft beer district. This combined brewery and brewpub serves on-premise consumers in downtown Vancouver and provides distribution for Big Rock's beers throughout BC. On September 17, 2016, Big Rock opened a third brewery in Etobicoke Ontario, and anticipates opening of the related brewpub and tasting room, at a second location in Toronto, to occur late in the fourth quarter of 2016.

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. In Alberta specifically, the ongoing difficult economic conditions have caused consumer demand to move to more value-priced products. In addition, 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 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 nine months ended September 30, 2016, Big Rock grew volumes and gross profit nationally, including in Alberta, the region where competition in the craft beer industry has been most keenly felt. This is mainly due to the success of new private label beers which were launched late last year. These products more closely align with the tastes of contemporary drinkers together with the rebranding 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 two changes to markup rates in 2015, which combined represented a 20.5% increase in Alberta Gaming and Liquor Commission ("AGLC") markup rates as compared to the previous year. This increased beer and cider cost to consumers resulting from increased AGLC markups, hampered Big Rock's ability to implement a planned price increase to cover rising input costs.

On August 5, 2016, changes, which were announced on July 12 and July 28, 2016 by the AGLC, were implemented and the AGLC's graduated markup rates were replaced with a flat rate of $1.25 per litre. A new grant program, administered by Alberta Agriculture and Forestry, was also implemented effective August 5, 2016 and provides a grant to Alberta breweries on a decreasing sliding scale basis from $1.15 per litre to $0.00 per litre, on sales in Alberta over 150,000 litres. Although the combined impact of the flat mark-up rate and the grant program is expected to result in an effective net rate that is not materially different from the graduated rate which has applied to Big Rock's business in Alberta, the longer-term implications are being assessed.

In Ontario, Big Rock has been building brand awareness in anticipation of the new brewery and forthcoming restaurant, including sales and marketing initiatives and collaboration events. The Etobicoke brewery commenced operations late in the third quarter and the Liberty Village brewpub, in Toronto, is expected to come on-stream later in the fourth quarter of 2016.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volumes (hl)	**54,837**	57,084	42,143	42,787	55,132	50,051	33,980	39,194
Wholesale revenue	**11,397**	11,746	8,548	9,033	11,388	10,532	7,064	8,620
Retail revenue	**459**	545	496	850	517	573	73	132
Total Net Revenue	**11,856**	12,291	9,044	9,883	11,905	11,105	7,137	8,752
Operating profit (loss)	**416**	656	(1,118)	(55)	133	(304)	(831)	(224)
Net income (loss)	**234**	382	(782)	(54)	76	(473)	(624)	(106)
Earnings per share (basic and diluted)	**$ 0.03**	$ 0.06	$ (0.11)	$ (0.01)	$ 0.01	$(0.07)	$ (0.09)	$ (0.02)
Dividends per share	**$ 0.00**	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.20
$ Per /hl Amounts								
Net revenue - Wholesale	**207.83**	205.77	202.83	211.12	206.56	210.43	207.89	219.93
Cost of sales - Wholesale	**105.49**	109.96	117.67	111.86	113.89	114.70	108.98	121.88
Selling expenses	**62.77**	58.53	71.73	73.36	64.77	75.04	80.08	73.17
General and administrative	**28.65**	25.65	35.83	28.12	26.10	23.40	41.17	29.01
Operating profit (loss)	**7.59**	11.49	(26.53)	(1.29)	2.41	(6.07)	(24.46)	(5.72)
Net income (loss)	**4.27**	6.69	(18.56)	(1.26)	1.38	(9.45)	(18.36)	(2.70)

Big Rock experiences seasonal fluctuations in volumes, net sales revenue and net income. The second and third quarters typically experience the highest activity and the first and fourth quarters 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

Net revenue from beer and cider sales and volumes remained relatively consistent for the three months ended September 30, 2016, as compared to the same period in 2015. Volume growth for the quarter in the key Alberta market was offset by lower sales volumes in other provinces. Ontario sales volumes did not yet reflect the impact of the new Etobicoke brewery, which only had a few days of production in the period. BC sales were lower mainly as a result of increased sales of value-priced products in the third quarter of 2015, due to promotional pricing which was scaled back in 2016.

Big Rock's net revenue from beer and cider sales, and related volumes for the nine months ended September 30, 2016 increased 11% as compared to the same period in 2015. This increase was due primarily to increase in sales of the entry-level all-natural lager, AGD, market success of new private label products and targeted limited-time offer ("LTO") activity and new offerings in the cider category.

The Etobicoke brewery opened to the public on September 17, 2016, and the related brewpub and tasting room, located nearby, are anticipated to open late in the fourth quarter of 2016.

Gross Profit

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Sales volumes (hl)	54,837	55,132	(295)	154,065	139,164	14,901
Wholesale revenue	11,397	11,388	9	31,691	28,984	2,707
Retail revenue	459	517	(58)	1,500	1,163	337
Net sales revenue	11,856	11,905	(49)	33,191	30,147	3,044
Wholesale cost of sales:						
Ingredients and packaging materials	3,140	3,362	(222)	8,913	8,458	455
Labour	1,179	1,249	(70)	3,966	3,648	318
Overhead	1,049	991	58	3,077	2,534	543
Inventory movement	(13)	165	(178)	(278)	(295)	17
Depreciation	430	512	(82)	1,343	1,361	(18)
Retail cost of sales	506	379	127	1,458	1,035	423
Cost of sales	6,291	6,658	(367)	18,479	16,741	1,738
Gross profit	5,565	5,247	318	14,712	13,406	1,306

Net Sales

Net sales revenues include wholesale product sales for beer and cider, and retail restaurant and store sales from Big Rock's Calgary, Vancouver and Ontario locations.

Net sales revenue and volume for the quarter ended September 30, 2016 marginally declined compared to the prior year. However overall gross profit increased, reflecting a slight decrease in wholesale cost of goods sold per hectolitre.

Net sales revenue and volumes increased $3,044 (10%) and 14,901 hectolitres (11%), respectively for the nine months ended September 30, 2016, compared to the nine months ended September30, 2015. The current year increases were primarily attributable to increased beer and cider revenue on increased sales volumes in the first half of the year and the inclusion of a full nine months of operations from Big Rock Urban in Vancouver, which commenced commercial operations in April 2015. Geographically, Alberta and BC continued to represent the largest shares of the Corporation's sales.

Cost of Sales

Total cost of sales decreased by $367 for the three months ended September 30, 2016, and increased by $1,738 for the nine months ended September 30, 2016 compared to the same periods last year due to the following:

- Costs relating to ingredients and packaging materials decreased $222 for the quarter reflecting favourable contract prices on packaging materials and cost savings associated with centralized purchasing for the Calgary and Vancouver breweries. Costs increased $455 for the year to date September 30, 2016 due increased brewing volumes, increased ingredients costs associated with seasonal brews and includes a full nine months of operations for Big Rock Urban, whereas the prior year to date reflected six months of operations as commercial operations commenced in April 2015.

- When compared to the same periods in 2015, labour charges for the third quarter of 2016 decreased $70 reflecting a true up in bonus accruals and increased by $318 for the year to date primarily due to increased headcount offset by adjustments to bonus accruals.

- Overhead costs include utilities, repairs and maintenance and other production related amounts which are primarily fixed in nature. Overhead costs increased by $58 and $543 for the three and nine months ended September 30, 2016 compared to the prior year periods mainly due to increase in building utility costs and property taxes. In addition, these costs reflect a full nine months of Big Rock Urban operations compared to 2015.

- Inventory movement is a timing difference relating to the absorption of production costs into finished goods inventory, as reported on the statement of financial position, and the eventual charge to earnings for those costs as finished goods inventory is sold. Inventory movement costs decreased by $178 for the third quarter of 2016 and increased by $17 for the nine months ended September 30, 2016 compared with the same periods last year.

- Cost of sales includes depreciation charges on production equipment used to convert raw materials to finished goods. Depreciation charges included in cost of sales for the three and nine months ended September 30, 2016 decreased by $82, and $18, respectively, which was primarily driven by equipment disposals which occurred during the period resulting in lower depreciation charge for the period.

Per hectolitre cost of sales

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Net wholesale sales revenue	207.83	206.56	(1.27)	205.70	208.27	(2.57)
Wholesale cost of sales:						
Ingredients and packaging materials	57.26	60.98	(3.72)	57.85	60.78	(2.93)
Labour	21.50	22.65	(1.15)	25.74	26.21	(0.47)
Overhead	19.13	17.98	1.15	19.97	18.21	1.76
Inventory movement	(0.24)	2.99	(3.23)	(1.80)	(2.12)	0.32
Depreciation	7.84	9.29	(1.45)	8.72	9.78	(1.06)
Wholesale cost of sales	105.49	113.89	(8.40)	110.48	112.86	(2.38)

Cost of sales decreased by $8.40 per hectolitre (7%) for the three months ended September 30, 2016 compared to the same period in 2015 and is due mainly to decreases in ingredient and packaging materials, depreciation and inventory movement, with no significant change in volumes from third quarter 2016 compared to third quarter 2015.

Cost of sales decreased by $2.38 per hectolitre (2%) for the nine months ended September 30, 2016 due to an overall decrease in costs, and an 11% increase in sales volumes.

Selling expenses

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Selling:						
Delivery and distribution	961	984	(23)	2,655	2,558	97
Salaries and benefits	756	848	(92)	2,468	2,431	37
Marketing	567	267	300	1,125	773	352
Regional sales	766	1,053	(287)	2,728	3,273	(545)
Community sponsorship and other	392	419	(27)	830	1,013	(183)
Total selling expenses	3,442	3,571	(129)	9,806	10,048	(242)

Selling expenses have decreased for the quarter by $129 and $242 for the nine months ended September 30, 2016, compared to the same periods in the prior year, due to the following:

- Delivery and distribution costs decreased $23 and increased $97 in the quarter and the nine months ended September 30, 2016, respectively, as a result of cost efficiencies in the BC market.

- Salaries and benefit costs decreased by $92 for the third quarter due to a decrease in bonus accruals and severance expenses. Costs increased by $37 for the year to date due to increases in marketing headcount.

- Marketing costs increased $300 in the quarter and $352 on a year to date basis mainly as a result of increased advertising activity and market research for rebranding of certain products, which were launched with the opening of the Etobicoke brewery in Ontario and will be launched in the remainder of Big Rock's markets in early 2017.

- Regional sales expenses decreased by $287 for the quarter and $545 for the year to date as compared to the same periods in the prior year. The decrease in both instances was a result of reduced sales program activity and lower promotional materials spending.

- Community sponsorship and other expenses decreased $27 and $183 for the three and nine months ended September 30, 2016, respectively, due to the timing of sponsorship related payments.

Per hectolitre selling expenses

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Selling:						
Delivery and distribution	17.52	17.85	(0.33)	17.23	18.38	(1.15)
Salaries and benefits	13.79	15.38	(1.59)	16.02	17.47	(1.45)
Marketing	10.34	4.84	5.50	7.30	5.55	1.75
Regional sales	13.97	19.10	(5.13)	17.71	23.52	(5.81)
Community sponsorship and other	7.15	7.60	(0.45)	5.39	7.28	(1.89)
Selling expenses	62.77	64.77	(2.00)	63.65	72.20	(8.55)

On a per hectolitre basis, selling expenses decreased by $2.00 (3.1%) and $8.55 (11.8%), for the three months and nine months ended September 30, 2016 respectively, compared to the same period in 2015. Decreased regional sales spending was the primary driver, which was partially offset by an increase in marketing expenses.

General and Administrative expenses

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
General and Administrative:						
Salaries and benefits	735	594	141	2,210	1,623	587
Professional fees	273	218	55	589	532	57
Reporting and filing fees	12	17	(5)	86	99	(13)
Insurance	59	59	—	171	178	(7)
Building maintenance and taxes	110	180	(70)	295	427	(132)
Bank charges	44	33	11	125	116	9
Office, administrative and other	338	338	-	1,069	1,034	35
Total general and administrative expenses	1,571	1,439	132	4,545	4,009	536

General and administrative expenses increased by $132 and $536 for the three months and nine months ended September 30, 2016, respectively, compared with the same periods in 2015 as detailed below:

- Salaries and benefit costs increased by $141 and $587 in the quarter and year to date, due to increases in severance costs, adjustments to the valuation of awards under Big Rock's share appreciation rights ("SAR") program as well as the timing of accruals under the bonus plan.

- Professional fees, which include legal, audit, tax, accounting and other advisory and consulting services, were $55 higher for the third quarter and $57 higher for the year to date mainly as a result of increased recruitment costs, and increased tax and consulting fees.

- Reporting and filing fees decreased $5 and $13 for the three and nine months ended September 30, 2016, respectively, due to timing of TSX filing fees.

- Building maintenance and taxes decreased by $70 and $132 in the quarter and the year to date, respectively, due to a decrease in maintenance and utilities expenses related to the Calgary location.

- Bank charges were higher by $11 and $9, respectively, for the three months and year to date ended September 30, 2016 when compared to the same period last year due to increased fees associated with Big Rock's term loan and operating loan facilities.

- Office, administration and other remained unchanged for quarter ended September 30, 2016 and increased $35 for the nine months ended September 30, 2016 compared to the 2015 comparative periods. The 2016 periods include pre-opening costs associated with the Big Rock Etobicoke brewery and Liberty brewpub whereas the comparative 2015 periods include pre-opening costs associated with the Vancouver brewery and eatery.

General and administrative costs would have increased by $172 (15.5%) for the three months ended September 30, 2016, after excluding share-based compensation costs of $85 (2015 - $141) and pre-operating costs of $202 (2015- $186) related to the Toronto facilities when compared to the same period in 2015.

General and administrative costs would have increased by $189 (5.7%) for the nine months ended September 2016, after excluding share-based compensation costs of $449 (2015 - $145) and pre-operating costs of $615 of costs for the new Toronto facilities (2015 - $572 costs for Vancouver and Toronto), compared to the same period in 2015.

Finance expenses

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Interest on long-term debt	89	27	62	225	53	172
Interest on operating facility	—	10	(10)	13	73	(60)
Total finance expenses	89	37	52	238	126	112
Weighted average effective interest rate	6.03%	5.62%		5.69%	5.25%	

The principal amount of long-term debt was $6,099 as at September 30, 2016 compared to $3,035 as at September 30, 2015. The interest rates applicable to all loans and borrowings are based on the lender's prime rate plus an applicable margin. Interest expense increased for the nine months ended September 30, 2016 compared to the same period last year due to higher average debt balances outstanding. The Corporation was in compliance with its financial covenant tests as at September 30, 2016.

Depreciation and amortization

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Depreciation, Cost of Sales						
Wholesale	430	512	(82)	1,343	1,361	(18)
Retail	38	40	(2)	112	86	26
Depreciation, Other	97	95	2	288	325	(37)
Amortization	39	9	30	119	26	93
Total	604	656	(52)	1,862	1,798	64

Depreciation expense included in cost of sales decreased by $84 for the third quarter of 2016 primarily due to machinery disposals. Depreciation expense included in cost of sales increased by $8 for the nine months ended September 30, 2016 compared with the same period last year due to asset additions and inventory movement offset by disposals of machinery.

Other depreciation, which relates to non-production assets, increased for the quarter due to asset additions for the Calgary location. Other depreciation decreased for the nine months ended September 30, 2016 due to reclassifications of Big Rock's Vancouver restaurant assets since September 2015.

Amortization expense of intangible assets, which include software, naming rights and website costs, increased due to software additions since September 2015.

Other Income

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Other income	23	53	(30)	105	196	(91)

Other income includes rental income arising from use of yard space and gains or losses on asset disposals.

Income taxes

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Current income tax expense (recovery)	(137)	90	(227)	(284)	195	(479)
Deferred income tax expense (recovery)	253	(17)	270	271	(106)	377

Current income tax recoveries of $137 were recorded for the three months ended September 30, 2016 (2015 – expense of $90) bringing the year to date current tax recovery to $284 (2015 – expense of $195). These taxes arise from the transitional provisions on the taxation of partnership deferral structures.

During the three months ended September 30, 2016, the Corporation recorded a deferred income tax expense of $253 and a year to date deferred tax expense to $271 compared to a recovery of $106 for the same nine month period last year.

The deferred income tax provision differs from the statutory rate of 26.91% (2015 – 26.04%) 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, 2015 to September 30, 2016:

	Increase/ (Decrease)	Primary factors explaining change
Property, plant and equipment	3,828	AB and ON brewery and machinery additions, net of amortization
Intangible assets	(83)	Amortization in excess of additions
Inventories	953	Increases in raw materials and finished goods due to increased demand reflecting increased sales and opening of the Etobicoke brewery
Accounts receivable	(256)	Decrease in outstanding day sales in Alberta
Prepaid expenses and other	(94)	Due to amortization of balances
Long term debt	2,210	Draws on term loans
Deferred income taxes	271	Tax effect of changes in temporary differences
Share based payments liability	258	Higher SAR valuation due to increase in share price
Current income taxes	(64)	Reduction in expected taxable income
Accounts payable and accrued liabilities	1,885	Timing of supplier payments
Bank indebtedness	51	Increase in the operating loan balance

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

$ thousands (unless otherwise stated)	September 30, 2016	December 30, 2015
Bank indebtedness (cash)	(820)	(540)
Total debt	7,397	5,136
Shareholders' equity:		
Shareholders' capital	113,121	113,121
Contributed surplus	1,438	1,255
Accumulated deficit	(77,002)	(76,836)
Total shareholders' equity	37,557	37,540
Total capitalization (total debt plus shareholders' equity, net of cash balances)	44,134	42,136
Total debt to capitalization ratio	16.8%	12.2%

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, 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 the structure considering 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 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 September 30, 2016 and December 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 3, 2016 there were 6,875,928 issued and outstanding shares and the closing price was $6.64 per share. Based upon 6,875,928 issued shares, the Corporation has an approximate market capitalization of $45.7 million as of such date.

Share Based Compensation Plan

On September 8, 2016, the Corporation granted 58,500 options at an exercise price of $6.16 per share with an expiry date of September 8, 2021. The weighted average fair value of the options issued during the three months ended September 30, 2016 was estimated using the Black-Scholes option pricing model.

The weighted average assumptions used for the calculation were:

	September 2016	March 2016	September 2015	May 2015
Weighted average fair value per option	**1.78**	1.35	1.33	1.60
Risk-free interest rate (%)	**0.63**	0.65	0.65	0.89
Expected life of the options (years)	**4**	4	4	4
Dividend rate (%)	**0.00**	0.00	0.00	0.00
Volatility in the price of the Corporation's shares (%)	**35.3**	34.7	29.4	28.7

A share-based compensation charge of $183 (2015 - $172) for the options granted in the nine months ended September 30, 2016 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:

	2016		2015	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Balance, beginning of year	517,000	$ 13.10	508,000	$ 15.22
Expired	(35,000)	$ 14.24	(96,000)	$ 16.31
Issued	117,000	$ 5.64	117,000	$ 6.64
Balance, September 30	599,000	$ 11.58	529,000	$ 13.13

The following table summarizes information about share options outstanding and exercisable at September 30, 2016:

Exercise price	# of Options outstanding at September 30, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at September 30, 2016
$5.12 to $6.81	175,500	4.44	$ 5.70	175,500
$6.82 to $14.26	189,500	1.53	$ 11.56	189,500
$14.27 to $18.06	234,000	2.21	$ 16.00	234,000
Balance, September 30	599,000	2.65	$ 11.58	599,000

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

At the end of each reporting period, the fair value of the SAR's, 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, 2016, 458,900 SAR's were outstanding (December 30, 2015 – 391,900). During the nine months ended September 30, 2016, 79,000 SAR's were issued (2015 – 130,000), 12,000 SAR's were exercised (2015 – nil) and no SAR's expired (2015 – 18,900). As at September 30, 2016, the fair value of the SAR's was calculated and resulted in a liability of $392 (December 30, 2015 - $134) and an expense of $266 was recorded in general and administrative expenses (December 30, 2015 – recovery of $82).

At September 30, 2016, the weighted average fair value of the SAR's issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	March 2016	September 2015	May 2015
Weighted average fair value per SAR	**2.33**	1.93	1.30
Risk-free interest rate (%)	**0.59**	0.56	0.54
Expected life of the SAR (years)	**4.45**	3.95	3.62
Dividend rate (%)	**0.00**	0.00	0.00
Volatility in the price of the Corporation's shares (%)	**35.3**	35.3	35.3

Cash Flows

$	Three months ended September 30 2016	2015	Change	Nine months ended September 30 2016	2015	Change
OPERATING ACTIVITIES						
Net income for the period, adjusted for items not affecting cash	1,168	825	343	2,354	702	1,652
Net change in non-cash working capital related to operations	1,846	2,226	(380)	1,231	1,338	(107)
Cash provided by (used in) operating activities	3,014	3,051	37	3,585	2,040	1,545
FINANCING ACTIVITIES						
Increase (decrease) in bank indebtedness	253	(3,798)	4,051	51	603	(552)
Dividend payments	—	—	—	—	(1,375)	1,375
Proceeds from long-term debt	(107)	1,085	(1,192)	2,210	3,035	(825)
Cash provided by (used in) financing activities	146	(2,713)	2,859	2,261	2,263	(2)
INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(2,638)	(764)	(1,874)	(5,662)	(5,054)	(608)
Purchase of intangibles	(13)	(35)	22	(36)	(301)	265
Proceeds from sale of equipment	—	46	(46)	132	147	(15)
Cash used in investing activities	(2,651)	(753)	(1,898)	(5,566)	(5,208)	(358)
Net change in cash	509	(415)	924	280	(905)	1,185

Operating Activities

Cash provided by operating activities for the three months ended September 30, 2016 totalled $3,014 an increase of $37 compared to the same period last year, as a result of a decrease in non-cash working capital and higher income. Cash provided by operating activities for the nine months ended September 30, 2016 totalled $3,585, an increase of $1,545 compared to the same period last year, primarily as a result of higher net income.

Financing Activities

Cash used in financing activities for the three months ended September 30, 2016 increased by $2,859 compared with the same period in 2015. The increase is a result of decreased bank indebtedness repayments. Cash provided by financing activities for the nine months ended September 30, 2016 decreased by $2 compared with the same period in 2015.

On March 29, 2016, Big Rock signed a commitment letter to revise and extend the existing $5 million revolving operating loan facility and $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 a graduated margin between 2.0 to 4.0 percent, depending on the financial covenant test; guaranteed notes have an acceptance fee payable at 3.75 percent; and letters of credit bear a fee payable at 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 29, 2021, 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. Big Rock was in compliance with all covenants at September 30, 2016.

As at September 30, 2016, $3,600 (December 30, 2015 - $1,850) was drawn on the term loan facility and bank indebtedness was $1,298 (December 30, 2015 - $1,247).

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, 2016, $2,499 (December 30, 2015 - $2,039) was drawn on the facility.

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

	Nine months ended September 30,2016	Nine months ended September 30,2015
EBITDA	$ 1,921	$ 992
Deduct: Depreciation & amortization	1,862	1,798
Earnings before interest and taxes	59	(806)
Deduct: Interest	238	126
Deduct: Income tax charge	(13)	89
Net income	$ (166)	$ (1,021)

Investing Activities

Big Rock spent a total of $2,651 and $5,566, net of proceeds from asset dispositions for the three and nine months ended September 30, 2016, respectively, compared to $753 and $5,208 for the same periods in 2015. The majority of capital spending in 2016 related to the brewery and brewpub facilities and related equipment in Etobicoke compared to the year to date 2015 capital spending which included costs associated with the new brewery and restaurant in Vancouver.

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Change	2016	2015	Change
Land	3	4	(1)	6	13	(7)
Buildings & leasehold improvements	2,505	166	2,339	3,504	1,793	1,711
Brewery machinery & equipment	-	588	(588)	1,899	2,338	(439)
Vehicles	1	6	(5)	73	76	(3)
Office furniture & fixtures	129	-	129	180	834	(654)
Capital spending, tangible assets	2,638	764	1,874	5,662	5054	608
Capital spending, intangible assets	13	35	(22)	36	301	(265)
Total capital spending	**2,651**	**799**	**1,852**	**5,698**	**5,355**	**343**
Proceeds on dispositions	-	(46)	(46)	(132)	(147)	15
Net capital spending	**2,651**	**753**	**1,898**	**5,566**	**5,208**	**358**

Cash Dividends

In March 2015, Big Rock announced the suspension of the Corporation's quarterly dividend until further notice.

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 SAR's at each reporting date. Share-based compensation expense with respect to options recognized during the nine months ended September 30, 2016 was $183 (2015 – $172), while the expense recognized with respect to SAR's was $266 (2015 – recovery of $27) 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 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. On October 27, 2015, the Alberta government announced a change to mark-up rates applicable to Big Rock which slightly reduced the impact of the previous increase. In July 2016, the Alberta government announced that, effective August 5, 2016, the graduated mark-up scheme will be replaced with a flat-rate mark-up of $1.25 per litre plus a new grant program for Alberta breweries to be administered by Alberta Agriculture and Forestry. It is currently expected that the effective net rate of these programs will not be materially different to Big Rock than the graduated mark-up program that they replace. 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 and the Corporation will continue to assess the longer-term implications of these changes.

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 as a majority of its accounts receivable are from provincial liquor boards, which are governed 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 aluminium, 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, 2016 was 6.03% (2015 – 5.62%) and 5.69% (2015 – 5.25%) 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 10, 2016 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 September 30, 2016 and 2015 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, 2015 or prior. A change in an accounting policy used may result in material changes to Big Rock's reported financial position, results of operations and cash flows.

Future accounting pronouncements

The IASB has issued the following pronouncements:

- Amendments to IAS 7 *Statement of cash flows* are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to IAS 12 *Income taxes* are effective for annual periods beginning on or after January 1, 2017. The amendments clarify several aspects of the standard including: deductible temporary differences relating to unrealized losses on debt instruments, estimations of future taxable profits, and how an entity assesses deferred tax assets.

- 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).

- IFRS 16 *Leases* has been issued which will be required to be adopted effective for annual periods beginning on or after January 1, 2019. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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, 2016.

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, 2016, 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, 2016, 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, 2016. 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, and the Ontario brewery and retail operations opened late in in the third quarter of 2016. Management expects that the brewpub and retail operations located in Liberty Village, near the brewery will open in the fourth quarter of 2016, respectively.

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 and seasonal brands in 2016 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, including the revised Alberta markup rates;
- supply and demand of Big Rock's products;
- the Corporation's ongoing dividend policy;
- the Corporation's anticipated opening date of the Liberty Village brewpub; and
- the impact of recent changes in Alberta mark-up 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 because of the risk factors set forth above and as set out under the heading “Risk Factors” in the Corporation’s 2015 Annual Information Form (as filed on SEDAR on March 10, 2016). 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, 2015, can be found on SEDAR at www.sedar.com. Information about Big Rock can also be found on Big Rock’s corporate website at www.bigrockbeer.com/connect/investors.

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	
	2016	2015	2016	2015
Net revenue (Note 3)	$ 11,856	$ 11,905	$ 33,191	$ 30,147
Cost of sales (Note 4)	6,291	6,658	18,479	16,741
Gross profit	5,565	5,247	14,712	13,406
Expenses				
Selling expenses (Note 5)	3,442	3,571	9,806	10,048
General and administrative (Note 6)	1,571	1,439	4,545	4,009
Depreciation and amortization	136	104	407	351
Operating expenses	5,149	5,114	14,758	14,408
Operating profit (loss)	416	133	(46)	(1,002)
Finance expenses (Note 7)	89	37	238	126
Other income	23	53	105	196
Income (loss) before income taxes	350	149	(179)	(932)
Current income tax expense (recovery)	(137)	90	(284)	195
Deferred income tax expense (recovery)	253	(17)	271	(106)
Net income (loss) and comprehensive income (loss) for the period	$ 234	$ 76	$ (166)	$ (1,021)

Net income (loss) per share (Note 8)				
Basic and diluted	$ 0.03	$ 0.01	$ (0.02)	$ (0.15)

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)

	Note	September 30, 2016	December 30, 2015
ASSETS			
Non-current assets			
Property, plant and equipment		$ 46,436	$ 42,608
Intangible assets		373	456
		46,809	43,064
Current			
Inventories	9	5,888	4,935
Accounts receivable	10	1,965	2,221
Prepaid expenses and deposits	11	461	555
Current taxes receivable		9	-
Cash		820	540
		9,143	8,251
Total assets		$ 55,952	$ 51,315
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
Shareholders' capital	12	$113,121	$ 113,121
Contributed surplus	12,13	1,438	1,255
Accumulated deficit		(77,002)	(76,836)
		37,557	37,540
LIABILITIES			
Non-current			
Long term debt	14	5,699	3,485
Share-based payment liabilities	13	392	134
Deferred income taxes		4,670	4,399
		10,761	8,018
Current			
Accounts payable and accrued liabilities	15	5,936	4,051
Current taxes payable		-	55
Current portion of long term debt	14	400	404
Bank indebtedness	14	1,298	1,247
		7,634	5,757
Total liabilities and shareholders' equity		$ 55,952	$ 51,315

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 2016	Three months ended September 30 2015	Nine months ended September 30 2016	Nine months ended September 30 2015
OPERATING ACTIVITIES				
Net income (loss) for the period	$ 234	$ 76	$ (166)	$ (1,021)
Items not affecting cash:				
Depreciation and amortization	604	656	1,862	1,798
Gain on sale of assets	—	(31)	(54)	(114)
Share-based compensation	77	141	441	145
Deferred income tax expense (recovery)	253	(17)	271	(106)
	1,168	825	2,354	702
Net change in non-cash working capital related to operations (Note 18)	1,846	2,226	1,231	1,338
Cash provided by operating activities	3,014	3,051	3,585	2,040
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	253	(3,798)	51	603
Dividend payments	—	—	—	(1,375)
Proceeds (repayments of) from long-term debt	(107)	1,085	2,210	3,035
Cash (used in) provided by financing activities	146	(2,713)	2,261	2,263
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,638)	(764)	(5,662)	(5,054)
Purchase of intangibles	(13)	(35)	(36)	(301)
Proceeds from sale of equipment	—	46	132	147
Cash used in investing activities	(2,651)	(753)	(5,566)	(5,208)
Net increase (decrease) in cash	509	(415)	280	(905)
Cash, beginning of period	311	994	540	1,484
Cash, end of period	$ 820	$ 579	$ 820	$ 579

	2016	2015	2016	2015
Supplemental cash-flow information				
Cash interest paid	$ 89	$ 37	$ 239	$ 127
Cash taxes paid	$ —	$ —	$ 57	$ 241

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, 2014	$ 113,121	$ 1,083	$ (75,761)	$ 38,443
Share-based payments	—	172	—	172
Total comprehensive loss	—	—	(1,021)	(1,021)
Balance as at September 30, 2015	$ 113,121	$ 1,255	$ (76,782)	$ 37,594
Total comprehensive loss	—	—	(54)	(54)
Balance as at December 30, 2015	$ 113,121	$ 1,255	$ (76,836)	$ 37,540
Share-based payments	—	183	—	183
Total comprehensive loss	—	—	(166)	(166)
Balance as at September 30, 2016	$ 113,121	$ 1,438	$ (77,002)	$ 37,557

See accompanying notes to the condensed interim consolidated financial statements

1. CORPORATE INFORMATION

Big Rock Brewery Inc. ("Big Rock" or the "Corporation") is incorporated in Canada with limited liability under the legislation of the Province of Alberta and its shares are publicly 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 or losses 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 International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

These Financial Statements should be read in conjunction with Big Rock's 2015 annual consolidated financial statements. These Financial Statements were approved and authorized for issue by the Audit Committee on November 3, 2016.

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

2.3 Future accounting pronouncements

The IASB has issued the following pronouncements:

- Amendments to IAS 7 *Statement of cash flows* are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 *Income taxes* are effective for annual periods beginning on or after January 1, 2017. The amendments clarify several aspects of the standard including: deductible temporary

differences relating to unrealized losses on debt instruments, estimations of future taxable profits, and how an entity assesses deferred tax assets.

- 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).

- IFRS 16 *Leases* has been issued which will be required to be adopted effective for annual periods beginning on or after January 1, 2019. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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	
	2016	2015	2016	2015
Gross Product Revenues	$ 15,990	$ 15,671	$ 44,365	$ 39,552
Federal Excise Taxes	(1,480)	(1,339)	(4,052)	(3,525)
Provincial Liquor Tax Programs	(2,654)	(2,427)	(7,122)	(5,880)
Net Revenue	$ 11,856	$ 11,905	$ 33,191	$ 30,147

Gross Product Revenues include wholesale beer and cider revenues as well as retail store and restaurant sales. Revenue for Alberta beer and cider represents gross sales to the provincial liquor control board less excise taxes and commissions arriving at the net proceeds to Big Rock. Beer and cider revenue for other provincial jurisdictions represents net sales to the liquor control boards, after excise taxes and commissions. Federal excise taxes are assessed on world-wide production of beer at tiered rates up to $31.22 per hectolitre. Provincial liquor control board commissions cover distributions and other service charges.

During the quarter, Big Rock received a grant through the Alberta Small Brewers Development Grant Program. As of September 30, 2016, $1,835 of the grant proceeds has been included in the Provincial Liquor Tax Programs.

4. COST OF SALES

The cost of sales of the Corporation is comprised of cash and non-cash components as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Operating expenses	$ 5,823	$ 6,106	$ 17,024	$ 15,294
Depreciation and amortization	468	552	1,455	1,447
Cost of sales	$ 6,291	$ 6,658	$ 18,479	$ 16,741

5. SELLING EXPENSES

Selling expenses for the Corporation include the following:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Delivery and distribution costs	$ 961	$ 984	$ 2,655	$ 2,558
Salaries and benefits	756	848	2,468	2,431
Marketing	567	267	1,125	773
Regional sales	766	1,053	2,728	3,273
Community sponsorship and other	392	419	830	1,013
Selling expenses	$ 3,442	$ 3,571	$ 9,806	$ 10,048

6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Salaries and benefits (1)	$ 735	$ 594	$ 2,210	$ 1,623
Professional fees	273	218	589	532
Reporting and filing fees	12	17	86	99
Insurance	59	59	171	178
Building maintenance and taxes	110	180	295	427
Bank charges	44	33	125	116
Office, administrative and other	338	338	1,069	1,034
General and administrative expenses	$ 1,571	$ 1,439	$ 4,545	$ 4,009

(1) Salaries and benefits expense included stock option expense for the three and nine months ended September 30, 2016 of $104 (2015 – $78) and $183 (2015 – $172), respectively. In addition, share appreciation rights ("SAR") expense is included in salaries and benefits, and for the three and nine months ended September 30, 2016, a recovery of $19 (2015 – expense of $63) and an expense of $266 (2015 – recovery of $27), respectively, is included.

7. FINANCE EXPENSES

Finance expenses include the following:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Interest on long-term debt	$ 89	$ 27	$ 225	$ 53
Interest on operating facility	—	10	13	73
Finance expenses	$ 89	$ 37	$ 238	$ 126

8. INCOME (LOSS) PER SHARE

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

	Three months ended September 30		Nine months ended September 30	
Basic	2016	2015	2016	2015
Net income (loss)	$ 234	$ 76	$ (166)	$ (1,021)
Shares outstanding, beginning of the period	6,875,928	6,875,928	6,875,928	6,875,928
Weighted average # of shares issued during the period	—	—	—	—
Basic # shares outstanding during the period	6,875,928	6,875,928	6,875,928	6,875,928
Basic income (loss) per share	$ 0.03	$ 0.01	$ (0.02)	$ (0.15)

	Three months ended September 30		Nine months ended September 30	
Diluted	2016	2015	2016	2015
Net income (loss)	$ 234	$ 76	$ (166)	$ (1,021)
Basic # shares outstanding during the period	6,875,928	6,875,928	6,875,928	6,875,928
Weighted average # of shares issuable on dilutive options, during the period	12,034	—	—	—
Diluted # shares outstanding during the period	6,887,962	6,875,928	6,875,928	6,875,928
Diluted income (loss) per share	$ 0.03	$ 0.01	$ (0.02)	$ (0.15)

9. INVENTORIES

The inventories for the Corporation are categorized as follows:

	September 30, 2016	December 30, 2015
Raw materials and containers	$ 1,793	$ 1,447
Brews in progress	1,099	1,091
Finished product	2,495	1,901
Consignment product	313	315
Dry goods store (resale goods)	188	181
	$ 5,888	$ 4,935

During the three and nine months ended September 30, 2016, charges of $91 (2015 - $91) and $502 (2015 - $313) were recorded to cost of goods sold in the statement of comprehensive income relating to obsolete, promotional and resale goods and damaged unusable packaging and finished goods inventory.

There were no reversals of amounts previously charged to income with respect to inventory write downs (2015 - $nil) during the three and nine months ended September 30, 2016.

Finished goods inventory includes $168 (December 30, 2015 – $155) 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, 2016	December 30, 2015
Provincial liquor boards	$ 1,323	$ 2,033
Other receivables	642	188
Total accounts receivable	$ 1,965	$ 2,221

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

	September 30, 2016	December 30, 2015
Less than 30 days	$ 1,850	$ 938
30 – 60 days	40	1,276
60 – 90 days	6	—
Over 90 days	69	7
Total accounts receivable	$ 1,965	$ 2,221

The Corporation holds no collateral for any receivable amounts outstanding as at September 30, 2016.

11. PREPAID EXPENSES AND DEPOSITS

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

	September 30, 2016	December 30, 2015
Community sponsorship	$ 35	$ 59
Prepaid insurance	160	92
Property taxes	65	—
Equipment deposits, rental and maintenance	99	124
Public filing fees	12	8
Consulting	39	114
Promotional materials	27	96
Employee benefits	3	3
Other	21	59
	$ 461	$ 555

12. SHARE CAPITAL

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

	September 30, 2016		December 30, 2015	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding at beginning of period	6,875,928	113,121	6,875,928	113,121
Outstanding at end of period	6,875,928	113,121	6,875,928	113,121

13. SHARE-BASED PAYMENTS

Big Rock has two main share-based compensation plans: Share Option Plan and a Share Appreciation Rights ("SAR") Plan both of which are a component of overall compensation of directors, officers and employees of the Corporation. The Compensation and Human Resources Committee of the Board of Directors of Big Rock 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.

13.1 Share option plan

The Corporation's share option plan permits the Board of Directors of Big Rock 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. Share options granted under the plan include a maximum exercise period of five years and vest immediately upon issue. Under terms of the share option plan, the Corporation is authorized to issue options up to a maximum of 10% of the issued and outstanding common shares.

On September 8, 2016, the Corporation granted 58,500 options at an exercise price of $6.16 per share with an expiry date of September 8, 2021.

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 2016	March 2016	September 2015	May 2015
Weighted average fair value per option	**1.78**	1.35	1.33	1.60
Risk-free interest rate (%)	**0.63**	0.65	0.65	0.89
Expected life of the options (years)	**4**	4	4	4
Dividend rate (%)	**0.00**	0.00	0.00	0.00
Volatility in the price of the Corporation's shares (%)	**35.3**	34.7	29.4	28.7

A share-based compensation charge of $183 for the options granted in the nine months ended September 30, 2016 (2015 - $172) was recognized in the Statement of Comprehensive Income. Share-based compensation costs have been included in general and administrative expenses.

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

	2016		2015	
	# of options	Weighted average exercise price ($)	# of options	Weighted average exercise price ($)
Balance, beginning of year	517,000	13.10	508,000	15.22
Expired	(17,500)	16.60	—	—
Issued	58,500	5.12	—	—
Balance, March 31	558,000	12.15	508,000	15.22
Issued	—	—	58,500	7.46
Balance, June 30	558,000	12.15	566,500	14.42
Expired	(17,500)	11.88	(96,000)	16.31
Issued	58,500	6.16	58,500	5.82
Balance, September 30	599,000	11.58	529,000	13.13

The following table summarizes information about share options outstanding and exercisable at September 30, 2016:

Exercise price	Options outstanding at September 30, 2016 (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Options exercisable at September 30, 2016 (#)
$5.12 to $6.81	175,500	4.44	5.70	175,500
$6.82 to $14.26	189,500	1.53	11.56	189,500
$14.27 to $18.06	234,000	2.21	16.00	234,000
Balance, September 30	599,000	2.65	11.58	599,000

13.2 Share appreciation rights plans

Under the share appreciation rights plan, the Board of Directors may issue an unlimited number of SAR's. The SAR's vest immediately and are exercisable for five years thereafter. The exercise of SAR's is 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 as compensation expense.

As at September 30, 2016, 458,900 SARs were outstanding (December 30, 2015 – 391,900). During the nine months ended September 30, 2016, 79,000 SARs were issued (2015 – 130,000), 12,000 SARs were exercised (2015 – nil) and no SAR's expired (2015 – 18,900). As at September 30, 2016, the fair value of the SAR's was calculated and resulted in a liability of $392 (December 30, 2015 - $134) and an expense of $266 was recorded in general and administrative expenses (December 30, 2015 – recovery of $82).

At September 30, 2016, 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:

	March 2016	September 2015	May 2015
Weighted average fair value per SAR	**2.33**	1.93	1.30
Risk-free interest rate (%)	**0.59**	0.56	0.54
Expected life of the SAR (years)	**4.45**	3.95	3.62
Dividend rate (%)	**0.00**	0.00	0.00
Volatility in the price of the Corporation's shares (%)	**35.3**	35.3	35.3

14. BANK INDEBTEDNESS AND LONG-TERM DEBT

On March 29, 2016, Big Rock signed a commitment letter to revise and extend the existing $5 million revolving operating loan facility and $6 million 5-year term loan facility, both are 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 a graduated margin between 2.0 to 4.0 percent, depending on its covenant tests; for guaranteed notes, the acceptance fee is payable at 3.75 percent; and for letters of credit, the fee is payable at 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 29, 2021, 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. Big Rock was in compliance with all covenants at September 30, 2016.

As at September 30, 2016, $3,600 (December 30, 2015 - $1,850) was drawn on the term loan facility and $1,298 (December 30, 2015 - $1,247) was outstanding as bank indebtedness.

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, 2016, $2,499 (December 30, 2015 - $2,039) was drawn on the 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 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, 2016	December 30, 2015
Less than 30 days	$ 5,868	$ 4,045
30 – 60 days	33	—
60 – 90 days	—	—
Over 90 days	35	6
Total accounts payable and accrued liabilities	$ 5,936	$ 4,051

16. DIVIDENDS PAYABLE

In March 2015, Big Rock announced the suspension of the Corporation's quarterly dividend until further notice.

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 defines its capital to include: common shares plus short-term and long-term debt, less cash balances. There are no externally imposed capital requirements on Big Rock. 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, 2016	December 30, 2015
Bank indebtedness (cash)	$ (820)	$ (540)
Total debt	7,397	5,136
Shareholders' equity:		
Shareholders' capital	113,121	113,121
Contributed surplus	1,438	1,255
Accumulated deficit	(77,002)	(76,836)
Total shareholders' equity	37,557	37,540
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 44,134	$ 42,136

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting and working capital management and makes adjustments by considering 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 or renegotiate its debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. Capital requirements of the Corporation are managed by the preparation of an annual expenditure budget which is approved by the Board of Directors, and monitored on a regular basis by Management. The budget is 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 net debt is calculated by dividing debt minus cash by EBITDA. EBITDA to interest, debt repayments and dividends is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA.

These capital management 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	
	2016	2015	2016	2015
Accounts payable and accrued liabilities	$ 803	$ 1,201	$ 1,821	$ 2,784
Inventory	(534)	254	(940)	(739)
Accounts receivable	1,315	629	256	(698)
Prepaid expenses	262	142	94	(9)
Total change in non-cash working capital	$ 1,846	$ 2,226	$ 1,231	$ 1,338

19. SEGMENTED INFORMATION

For management purposes, the Corporation is organized into operating segments based on its products, services, location and distribution methods. Ten operating segments have been identified. These segments have been aggregated into two reportable segments, as follows:

- The wholesale segment, which manufactures and distributes beer and cider to and through, provincial liquor boards which is subsequently sold on to end consumers and

- The retail segment, which sells beverages, food and merchandise to end consumers on premises owned and/or operated by the Corporation.

The wholesale segment has been aggregated as these segments have similar production processes, types of customers and products that are shipped to customers rather than sold on-site. The retail segment has been aggregated to reflect that the products and services are sold directly to the end consumer through premises owned and / or operated by Big Rock.

Executive management monitors the results of its operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated on a number of measures, the most significant being profit or loss, which is measured consistently with the definition of profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Adjustments and eliminations

Operating assets and liabilities are managed on a corporate basis. General and administrative expenses, current taxes, deferred taxes and capital expenditures are not allocated to segments as they are also managed on a corporate basis. Inter-segment revenues are eliminated on consolidation and are reflected in the "adjustments and eliminations" column. All other adjustments and eliminations are part of detailed reconciliations presented below.

Reconciliation of profit

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Segment profit	**$ 2,123**	**$ 1,676**	**$ 4,906**	**$ 3,358**
General and administrative expenses	1,571	1,439	4,545	4,009
Depreciation and amortization	136	104	407	351
Operating profit (loss)	416	133	(46)	(1,002)
Finance expense	89	37	238	126
Other income	23	53	105	196
Profit (loss) before tax per consolidated statement of comprehensive income (loss)	$ 350	$ 149	$ (179)	$ (932)

Profit by Segment

Three Months Ended September 30	Wholesale		Retail		Total segments		Adjustments and eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net Revenue										
External customers	$ 11,397	$ 11,388	$ 459	$ 517	$ 11,856	$ 11,905	$ —	$ —	$ 11,856	$ 11,905
Inter-segment	39	66	—	—	39	66	(39)	(66)	—	—
Total net revenue	**11,436**	**11,454**	**459**	**517**	**11,895**	**11,971**	**(39)**	**(66)**	**11,856**	**11,905**
External cost of goods sold	5,785	6,279	506	379	6,291	6,658	—	—	6,291	6,658
Inter-segment	—	—	39	66	39	66	(39)	(66)	—	—
Total cost of goods sold	**5,785**	**6,279**	**545**	**445**	**6,330**	**6,724**	**(39)**	**(66)**	**6,291**	**6,658**
Gross profit	**5,651**	**5,175**	**(86)**	**72**	**5,565**	**5,247**	**—**	**—**	**5,565**	**5,247**
Selling expenses	3,422	3,565	20	6	3,442	3,571	—	—	3,442	3,571
Segment profit	**$ 2,229**	**$ 1,610**	**$ (106)**	**$ 66**	**$ 2,123**	**$ 1,676**	**$ —**	**$ —**	**$ 2,123**	**$ 1,676**

Nine Months Ended September 30	Wholesale		Retail		Total segments		Adjustments and eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net Revenue										
External customers	$ 31,691	$ 28,984	$ 1,500	$ 1,163	$ 33,191	$ 30,147	$ —	$ —	$ 33,191	$ 30,147
Inter-segment	166	144	—	—	166	144	(166)	(144)	—	—
Total net revenue	**31,857**	**29,128**	**1,500**	**1,163**	**33,357**	**30,291**	**(166)**	**(144)**	**33,191**	**30,147**
External cost of goods sold	17,021	15,706	1,458	1,035	18,479	16,741	—	—	18,479	16,741
Inter-segment	—	—	166	144	166	144	(166)	(144)	—	—
Total cost of goods sold	**17,021**	**15,706**	**1,624**	**1,179**	**18,645**	**16,885**	**(166)**	**(144)**	**18,479**	**16,741**
Gross profit	**14,836**	**13,422**	**(124)**	**(16)**	**14,712**	**13,406**	**—**	**—**	**14,712**	**13,406**
Selling expenses	9,773	10,037	33	11	9,806	10,048	—	—	9,806	10,048
Segment profit	**$ 5,063**	**$ 3,385**	**$ (157)**	**$ (27)**	**$ 4,906**	**$ 3,358**	**$ —**	**$ —**	**$ 4,906**	**$ 3,358**

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 September 30, 2016 are:

Within one year	$ 1,197
After one year but not more than five years	4,729
More than five years	2,295
	$ 8,221

As at September 30, 2016, lease payments of $668 (2015 - $603) were recognized as expense in the statement of comprehensive income.

21. COMPARATIVE AMOUNTS

Certain prior year amounts have been reclassified to conform to the current year presentation.