BIG ROCK
BREWERY

Big Rock's 2016 Family

FINANCIAL HIGHLIGHTS

in thousands of Canadian dollars, unless otherwise noted	2016	2015
Sales volumes (hectolitres or hl)	**199,454**	**181,857**
Net revenue	**43,126**	**39,582**
Cash from operating activities	**3,543**	**2,103**
Net loss	**453**	**1,075**
Net loss per share (basic and diluted)	**$ 0.07**	**$ 0.16**
Shareholders' equity	**37,270**	**37,540**
Common shares outstanding	**6,875,928**	**6,875,928**

Annual Meeting of Shareholders

The annual meeting of the shareholders will be held at:
Big Rock Brewery, 5555 - 76th Avenue SE, Calgary, AB, Canada
Thursday May 11, 2017 at 2:00 pm (MST).

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CEO'S MESSAGE

I consider it a privilege to have the opportunity to reflect on 2016 and set the stage for the upcoming year. Although I assumed Interim CEO responsibilities late in 2016, in my previous role as CFO I was fortunate to be extensively involved in all aspects of Big Rock's business.

2016 was a pivotal year in refocusing our efforts to becoming a more consumer-driven company, which we believe is fundamental to the financial success of Big Rock. We increased brand awareness in Ontario with the opening of our Etobicoke brewery in September and our Liberty Village tasting room in December, and started 2017 with the launch of the Liberty Commons restaurant in January. These sites provide fresh made-in-market beer and new opportunities to experience the Big Rock brand first-hand for consumers in the Toronto area. Our 2015 expansion into BC with our Vancouver brewery and restaurant taught us that the direct feedback from consumers on our beers and our brand is invaluable to our beer innovation and our brand evolution.

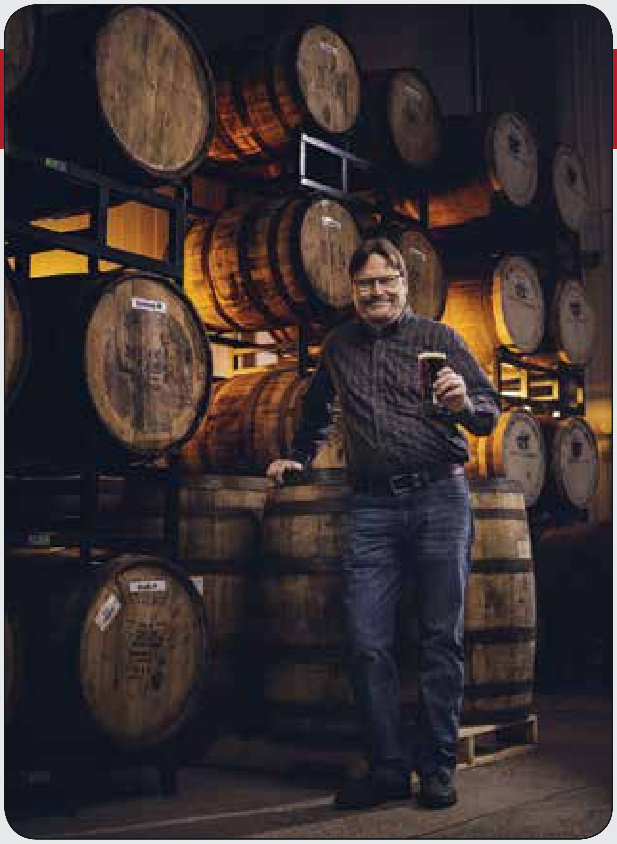
Concurrently, we have undertaken meaningful consumer research to understand our current and potential future consumers and how we fit into the ever-evolving beer industry from their perspective. This has helped to inform how and where we spend our marketing dollars – from advertising and messaging to consumer events and sponsorships. Our focus on the consumer has also led to a reimagining of our brand and packaging, which debuted in Ontario with the Etobicoke brewery opening and was formally launched across all markets in early 2017. In addition to providing an updated, fresh look for our products, the new packaging design provides a cohesive identity for Big Rock as a 'house of brands'.

From a sales perspective, we persevered through the headwinds of increased competition and the economic downturn in Alberta, which accounted for approximately 86% of our sales in 2016. While many consumers traded down to lower-priced products, including our private label beers and Alberta Genuine Draft, we managed to increase sales and reduce our net loss. Staff turnover on our BC sales team slowed our progress in that market, but renewal in the team sets the stage for potentially stronger performance in 2017. The September launch of the Etobicoke brewery is a game-changer for Ontario and we experienced new listings almost immediately, with enhanced opportunities in both the LCBO and grocery channels.

Product innovation continued in 2016 with seasonal offerings from all three of our breweries – including Cashmere Crooner, a single-hop lager from Etobicoke, Midnight Rhapsody dark ale from Vancouver and Golden Ale from Calgary. With the introduction of the Ontario operations, we now have three brewmasters innovating in three geographies, which, when combined with consumer feedback, will enhance our prospects for maintaining a relevant and balanced beer assortment. One of the 2015 innovation products from our Vancouver brewmaster, Citradelic, graduated to our permanent line up. On the cider front, we continued the tradition of introducing a new flavour via our annual variety pack with the debut of peach cider, which has received amazing feedback from our consumers and a Canadian Brewing Award in the cider category.

Profits in 2016 have shown improvement from the prior year, but we know we must do more on all financial fronts – sales and margins as well as costs and efficiencies – to increase profit performance in 2017. A year ago, we stated that 'Big Rock is back' as a brand. In 2017, we will strive to make sure Big Rock is also 'back' on the bottom line.

Barbara Feit
Interim CEO



BREWMASTER'S MESSAGE

One of the wonderful things about working for Big Rock Brewery is being able to look back at each passing year and recall with pride all the impressive accomplishments generated by this company. We have plenty to be proud of in 2016 and lots to look forward to.

From an operations and brewing perspective, 2016 was a year of growth and innovation. With the construction and opening of the Vancouver brewery and restaurant under our belts, we added the Ontario brewery and restaurant to our national footprint. September marked the grand opening of our new state-of-the-art brewery in Etobicoke. This polished stainless steel gem is now producing almost all of our off premises beer sold in Ontario. Downtown Toronto is the home to our beautiful new brew pub, Liberty Commons at Big Rock Brewery. This shiny copper clad and stainless steel brewing system produces the beers featured at the Liberty Village brewpub and beer shop. Both of those new brewing systems are brilliant reflections of Big Rock's industry leadership and our ability to take the steps needed to remain relevant and competitive in the evolving Canadian beer marketplace.

Now brewing in Vancouver, Calgary and Toronto, our three locations give us more depth in our brewing & innovation programs, which enable us to flex our creative muscle. Across the country, we successfully launched eight new beers and one new cider in 2016. Proving to be some of the stars are Midnight Rhapsody Dark Ale, Cashmere Crooner Lager, Rum Barrel Aged Barley Wine and Rock Creek Peach Cider. There is a lot more of the same to look forward to in 2017 as we are preparing to launch another 11 promising up-and-comers.

New breweries and new beers are some of the rewards for all our hard work, but my personal favourite is our new Koelschip and sour program. This is under the umbrella of our successful barrel program, but with a ground-breaking and curious twist. In the name of authenticity, we have entered the world of 'sour beers' by installing the first Koelschip of its size in Canada. This is an essential vessel traditionally used in Belgium to initiate spontaneous fermentation during the development of their wonderful Lambic beers. In our effort to be a front-runner in this quickly growing category, the conception of this novel program is another example of Big Rock's place as a leader in the craft beer landscape.

The combination of our new multi-province footprint, inspired brand innovations, and relentless efforts to increase efficiency and drive down costs is strengthening Big Rock as an effective and profitable organization. The past year was another massive step forward and we are building momentum for potentially even bigger gains in 2017.

Paul Gautreau

Paul Gautreau
VP Operations & Brewmaster

BREWERY AS A DESTINATION

BREWGA brings together two things that we at LOVE at Big Rock: Yoga & BEER. The class is ideal for anyone who is interested in exploring yoga in a different and chill social setting, while looking to expand their minds in respect to local craft beers.

BREWERY TOURS: Touring one of our breweries gives you the opportunity to experience the careful crafting that happens behind the scenes & gives you insight into the process from the top of a barley bin to the bottom of a pint glass.

RANDOM ACTS OF BIG ROCK

Elevating moments, surprising our friends and neighbours, contributing to the communities we live and work in - that's what being a Big Rocker is all about. Throughout 2016, Big Rockers throughout Canada could be spotted performing their own Random Acts of Big Rock - from growler bike carriers for Folk Festival and Sled Island goers, pizza and beer breaks for the cast and crew of Theatre Calgary's A Christmas Carol, to toque deliveries at the snowy Whistler Film Festival... It's the best job around!

NATIONAL PRODUCT REBRAND

Refreshed look, same great beer! 10 Signature Series beers are spotlighted with this clean, new packaging designed to highlight the Big Rock brand, beer name and beer style. Each new can and bottle features tasting notes, a brewmaster's quote and malt/hop metres. The Big Rock logo has also evolved. The rooster symbol remains a prominent logo for our brand, while the wordmark has a new, clearer font treatment. The new look debuted in Ontario with the Etobicoke brewery opening and has been rolled out to the rest of our consumers in early 2017.

FOLK MUSIC FESTIVALS

We love festivals! Music and beer are good together - we're talking peanut butter and jelly good! Big Rock is the lead partner in folk music festivals in Canada and a proud partner of Winnipeg Folk Music Festival, Vancouver Folk Music Festival, Calgary Folk Music Festival, Edmonton Folk Music Festival, Regina Folk Music Festival, and Bear Creek Folk Festival: Grand Prairie. See you out there!

THE GRASSHOPPER DEBATE

There's no doubt - Canadians love their Grasshopper. The gold standard for Kristallweizens was a game-changer for craft beer when it first arrived on the scene in 1994 and there's still nothing quite like it. In 2016 we invited fans to weigh in on the age old debate: to wedge, or not to wedge? There's no wrong way to enjoy your Grasshopper – but in this battle the lemon-wedgers won. Stay tuned - we have a feeling this debate is not over!

2016 BEER AWARDS

2016 ALBERTA UNITY BREW

The 2016 Alberta Unity Brew was crafted in collaboration with some of the best brewers in Alberta. Brewers from 45 of Alberta's craft breweries gathered together at Big Rock's Calgary brewery for a day of brewing and the first (of what we hope are many more to come) Brewers Games. Brewers competed in barrel tossing, stein holding, and malt stack racing. It was a fun and competitive day. All proceeds from the sale of the brew went to the Alberta Small Brewers Association.

NANO BREWS VANCOUVER

The arrival and installation of a nano brew kit in our Vancouver brewery was a day of celebration for BC Brewmaster Jody Hammell. Jody epitomizes what it means to be an innovator - and this small brew kit gives him the flexibility he loves to test and learn with new flavours and ingredients.

BARREL BEER AND CUSTOM BUILT SOUR ROOM

Big Rock is taking beer in new directions by launching its Belgian-style sour ales program. Brewmaster Paul Gautreau and his team have designed and built a koelschip, an open vessel that promotes spontaneous fermentation by allowing wild yeast strains to settle into the cooling wort. The vessel has been installed in a specialized room with louvred windows to invite the airborne yeast in. Big Rock's considerable investment in a barrel-aging program is another major initiative for Paul. His recently released rum barrel-aged barley wine spent eight months in casks sourced from St. Nicholas Abbey in the Barbados.

STRUT YOUR STUFF CAMPAIGN

Ontario craft beer fans were introduced to Brewmaster Connor K. Patrick in the Strut Your Stuff campaign. We think if you're good at something, you should be proud of it, show it off, share it and celebrate it. Whatever it is that you're good at, or proud of, put it on display. For us, it's beer, and we're going to make sure you know it (and taste it). So go ahead, show your swagger, and - STRUT YOUR STUFF.

NOW BREWING IN ONTARIO

Big Rock opened the doors on its new brewery in Etobicoke, Ontario in September 2016. The custom-built craft brewery, located at 1589 The Queensway, is the next step in Big Rock's journey to bring fresh, hand crafted,quality beer, to more Canadian communities. Led by Ontario Brewmaster Connor K. Patrick, Big Rock will brew all of its Signature Series brews and seasonal innovations, for distribution in Ontario, from this new brewhouse. A tap room plus brewery tours make it a worthwhile visit next time you're in the neighbourhood. With the launch of the Etobicoke brewery, Big Rock ensures craft beer fans are getting the freshest and finest Big Rock beer possible, using local ingredients - AND local talent.

VANCOUVER BEE HIVES

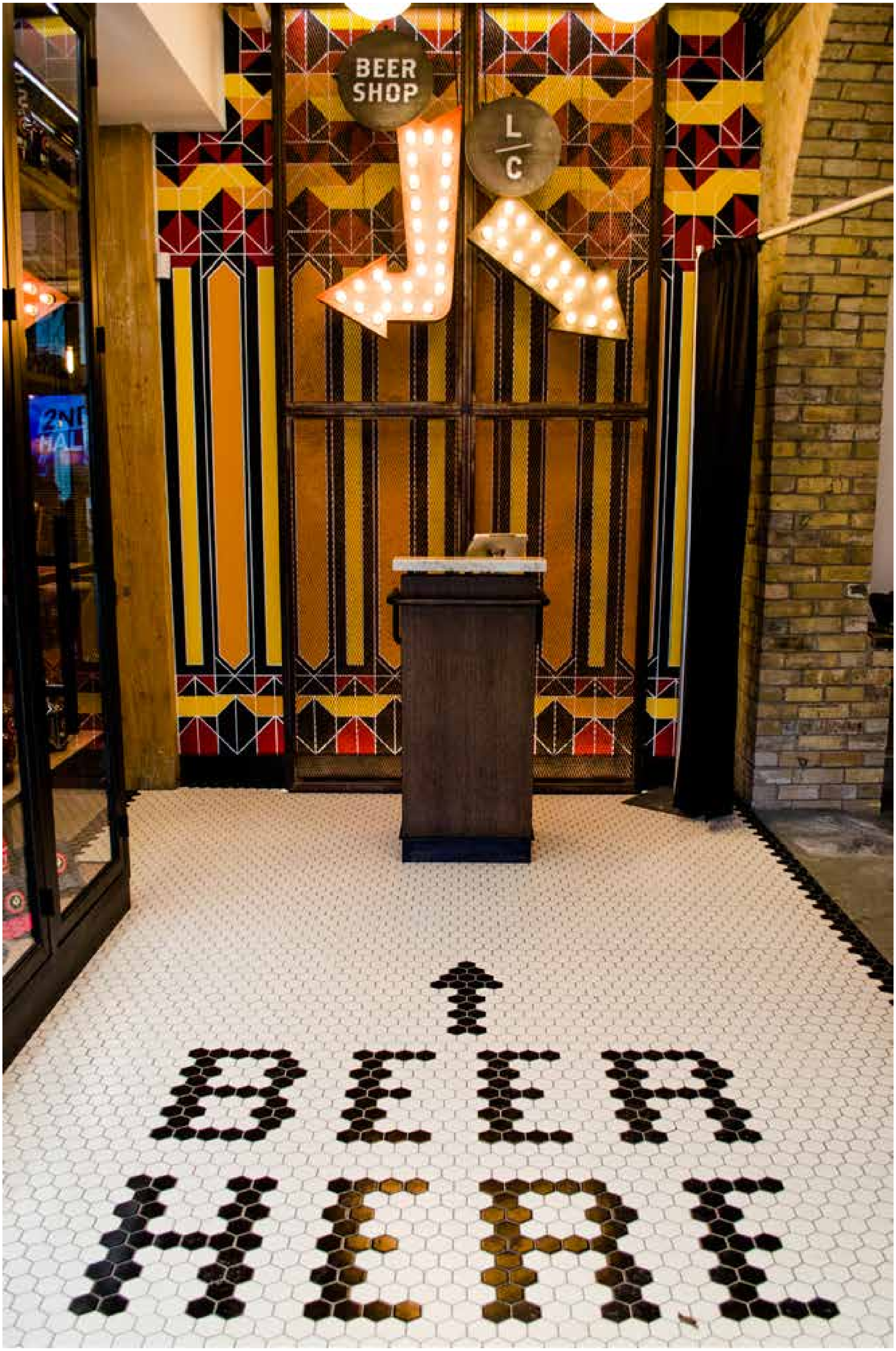
Big Rock's apiary program expanded from our Calgary Brewery to our Vancouver brewery in 2016. Brewmaster Jody Hammell was buzzing with his plans to add his home grown honey to new recipes he was brewing up.

CITRADELIC GOES NATIONAL

BC Brewmaster Jody Hammell's first beer to go national is his Citradelic Single Hop Citra IPA. Repeated heavy dosing and dry hopping brings out the smooth citrus and tropical tones of the Citra hop.

"The inspiration for this beer came to me when I visited the hop fields of Yakima Valley during harvest. Even before I tasted the first batch, the smell of those hops had me spinning." ~Brewmaster Jody Hammell

Availability: Alberta, British Columbia, Saskatchewan & Ontario



Entryway of Liberty Commons at Big Rock Brewery - Toronto, Ontario

BIG ROCK BREWERY

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 year ended December 30, 2016, as compared to the year ended December 30, 2015.

This MD&A should be read in conjunction with the consolidated financial statements of the Corporation and accompanying notes as at, and for, the years ended December 30, 2016 and 2015 (the "Financial Statements"). The financial statements have been prepared using International Financial Reporting Standards ("IFRS"). Certain prior year amounts have been restated to conform to the current year presentation.

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

Additional information on the Corporation, including the Annual Information Form for the year ended December 30, 2016, can be found on SEDAR at www.sedar.com, and Big Rock's corporate website at www.bigrockbeer.com. This MD&A is dated March 2, 2017.

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.

The Corporation has been producing its products in Calgary, Alberta since 1985. 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 products throughout BC. On September 17, 2016, Big Rock opened a third brewery in Etobicoke, Ontario, and in late January 2017, Liberty Commons restaurant and tasting room, was opened at a second location in Toronto.

INDUSTRY TRENDS AND INDICATORS

The beer industry in Canada has become increasingly polarized, with sales 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, ongoing difficult economic conditions have caused consumer demand to shift toward more value-priced products. In addition, there has been significantly more competitive activity in Alberta than in other Canadian markets, which is signified by faster growth in the number of products listed in Alberta than the growth in overall sales volumes. In other major craft beer markets, such as BC and Ontario, sales volume growth in craft beer has outpaced growth in product listings.

For the year ended December 30, 2016, Big Rock increased volumes and gross profit, including in Alberta, where downward economic pressures have been most keenly felt. These economic pressures have contributed to a movement of some consumers towards value-priced offerings, including private label beers and Alberta Genuine Draft ("AGD"), Big Rock's most approachable lager. The shift towards these lower-priced products has compressed average margins. Additionally, Big Rock's margins in Alberta remain under sustained pressure because of changes to mark-up rates in 2015 and 2016 which, on a combined basis, represented a 25% increase in 2016 Alberta Gaming and Liquor Commission

(“AGLC”) mark-up rates as compared to the rate paid by the Corporation prior to March 2015, while rates for other Alberta craft beer producers over the same period have been reduced or remained flat.

On August 5, 2016, the AGLC replaced its graduated mark-up rates 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-based breweries, calculated on sales in Alberta. The grant is paid on sales up to 150 thousand hectolitres (“hl”) on a decreasing sliding scale basis from $1.15 per litre to $0.00 per litre, such that sales over 150 thousand hl in a year will not attract any grant. 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 in the past, the need to maintain competitive consumer pricing may result in margin compression as Alberta sales growth impacts the net rate.

During 2016, Big Rock focused on building brand awareness in Ontario, in anticipation of the opening of our Etobicoke brewery and Liberty Commons brewpub restaurant in Toronto. This included building consumer awareness in the Ontario market through community events and partnerships. With the opening of these facilities in Ontario, together with its brewery in Vancouver and its flagship brewery in Calgary, Big Rock currently has capacity to brew approximately 253 thousand hl on an annual basis which can be scaled to 440 thousand hl with investment in additional fermentation tanks.

SELECTED ANNUAL FINANCIAL INFORMATION

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

($000, except volumes and per share amounts)	Year Ended December 30		
	2016	2015	2014
Sales Volumes (hl)	199,454	181,857	168,268
Statements of Comprehensive Income Data			
Net revenue	43,126	39,582	36,755
Operating profit (loss)	(266)	(1,012)	715
Net income (loss)	(453)	(1,075)	624
Net income (loss) per share (basic and diluted)	$ (0.07)	$ (0.16)	$ 0.09
Dividends per share	$ 0.00	$ 0.00	$ 0.80
Statements of Financial Position Data			
Total assets	55,209	51,315	48,167
Total debt	8,844	5,136	—

SELECTED QUARTERLY FINANCIAL INFORMATION

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

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

($000, except per share amounts)	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sales volumes (hl)	**46,993**	54,237	56,524	41,700	43,450	54,762	49,780	33,865
Net revenue	**10,439**	11,669	12,117	8,901	9,661	11,799	10,997	7,124
Operating profit (loss)	**(152)**	392	612	(1,118)	1	121	(291)	(843)
Net income (loss)	**(218)**	210	338	(783)	(54)	76	(473)	(624)
Earnings per share (basic and diluted)	**$ (0.03)**	$ 0.03	$ 0.05	$ (0.11)	$ (0.01)	$ 0.01	$ (0.07)	$ (0.09)
Dividends per share	**$ 0.00**	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ Per /hl[1] Amounts								
Net revenue	**222.14**	215.15	214.37	213.45	222.35	215.46	220.91	210.37
Cost of sales	**136.11**	113.41	117.58	126.71	121.82	119.96	124.97	110.32
Selling expenses	**60.67**	63.31	59.14	72.37	72.24	65.81	74.81	80.35
General and administrative	**25.54**	28.71	25.72	36.21	27.69	26.11	23.70	41.31
Operating profit (loss)	**(3.23)**	7.23	10.83	(26.81)	0.02	2.21	(5.85)	(24.89)
Net income (loss)	**(4.64)**	3.87	5.98	(18.78)	(1.24)	1.39	(9.50)	(18.43)

(1) "hl" refers to hectolitre

RESULTS OF OPERATIONS

Big Rock's sales volumes and net revenue increased for the year ended December 30, 2016, and contributed to an increase in gross profit. Net loss for the year ended December 30, 2016 was $453, an improvement of $622 compared to 2015, mainly due to increased gross profits, resulting from increased sales volumes, and a reduction in pre-operating costs associated with the commissioning of our new breweries in 2016 and 2015. Big Rock incurred $740 in pre-operating costs associated with the Ontario brewery and brewpub operations for the year ended December 30, 2016, compared to $800 incurred in 2015 associated with the BC brewery and the establishment of the Ontario operations. The Ontario brewery began brewing beer at the end of September 2016.

SEGMENTED INFORMATION

Big Rock has two reportable business segments which are monitored by executive management for purposes of making decisions about resource allocation and performance assessment. The wholesale segment manufactures and distributes beer and cider, to and through, provincial liquor boards which is subsequently sold on to end consumers. The retail segment sells beverages, food and merchandise to end consumers on premises owned and/or operated by the Corporation.

Segment performance is evaluated on a number of measures, the most significant being profit or loss. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The Corporation's 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.

Profit by Segment

Year Ended December 30 ($000)	Wholesale 2016	Wholesale 2015	Retail 2016	Retail 2015	Eliminations 2016	Eliminations 2015	Consolidated 2016	Consolidated 2015
Net Revenue	$ 41,642	$ 38,348	$ 2,126	$ 1,701	$ (642)	$ (467)	$ 43,126	$ 39,582
Cost of sales	22,818	20,465	2,301	1,821	(642)	(467)	24,477	21,819
Gross profit	18,824	17,883	(175)	(120)	—	—	18,649	17,763
Selling expenses	12,603	13,153	44	34	—	—	12,647	13,187
Segment profit	**$ 6,221**	**$ 4,730**	**$ (219)**	**$ (154)**	**$ —**	**$ —**	**$ 6,002**	**$ 4,576**
General & administrative							5,720	5,212
Depreciation & amortization							548	376
Operating Loss							(266)	(1,012)
Finance expense							349	180
Other income							123	241
Loss before income taxes							$ (492)	$ (951)

Net Revenue

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

Big Rock's net revenues for the year ended December 30, 2016 increased $3,544 (9%) to $43,126, compared to $39,582 for the year ended December 30, 2015. Geographically, Alberta and BC continued to represent the largest share of the Corporation's sales.

Wholesale net revenue and volumes increased by $3,294 (9%) and 17,597 hectolitres ("hl") (10%) for the year ended December 30, 2016 compared to the prior year. This increase was due primarily due to increase in sales of our entry-level all-natural lager, AGD, market success of new private label products and targeted limited-time offer ("LTO") activity. In addition, sales for 2016 include a full twelve months of operations from the brewery in Vancouver, which commenced commercial operations in April 2015.

Fourth quarter 2016 beer and cider net revenue and volumes increased by $689 (8%) and 3,543 hl (8%) compared to the same period in 2015, mainly due to increased sales volumes. Volume growth for the quarter was strong in Alberta, particularly in the value-priced segment, and an increase in Ontario volumes due to the opening of our Etobicoke brewery at the end of the third quarter of 2016. BC sales were lower than 2015 due to reduced capacity of the BC-based sales team as a result of staff turnover.

Retail revenues increased in the fourth quarter and for the year ended December 31, 2016 compared to the same periods in 2015 resulting mainly due inclusion of a full twelve months of operations from Big Rock Urban eatery in Vancouver.

Gross Profit

($000, except volumes)	Three months ended December 30 2016	2015	Change	Year ended December 30 2016	2015	Change
Sales Volume (hl)	46,993	43,450	3,543	199,454	181,857	17,597
Net revenue	$ 10,439	$ 9,662	$ 777	$ 43,126	$ 39,582	$ 3,544
Cost of sales	6,396	5,293	1,103	24,477	21,819	2,658
Gross Profit	4,043	4,369	(326)	18,649	17,763	886
Wholesale:						
Net revenue	9,813	9,124	689	41,000	37,881	3,119
Cost of sales:						
Ingredients and other materials	2,738	2,407	331	11,745	10,242	1,503
Labour	1,261	1,306	(45)	5,227	5,150	77
Overhead	970	671	299	3,409	3,001	408
Inventory movement	178	(182)	360	(3)	(107)	104
Depreciation	517	408	109	1,860	1,769	91
Total cost of sales	5,664	4,610	1,054	22,238	20,055	2,183
Wholesale segment profit	**4,149**	**4,514**	**(365)**	**18,762**	**17,826**	**936**
Retail:						
Net Revenue	626	538	88	2,126	1,701	425
Cost of sales	732	683	49	2,239	1,764	475
Retail segment profit	**(106)**	**(145)**	**39**	**(113)**	**(63)**	**(50)**
Gross profit	**$ 4,043**	**$ 4,369**	**$ (326)**	**$18,649**	**$17,763**	**$ 886**

Cost of Sales

Corporate cost of sales increased by $1,103 (21%) for the fourth quarter ended December 30, 2016, and increased by $2,658 (12%) for the year ended December 30, 2016 compared to the same periods last year. Big Rock Urban brewery and eatery, located in Vancouver, commenced operations in April 2015, as a result, the fiscal year ended December 30, 2016 includes a full twelve months of operations compared to nine months included in the year ended December 30, 2015 prior year. Changes to cost of sales in 2016 are due to the following:

- Costs relating to ingredients and other materials increased by $331 and $1,503 for the fourth quarter and year ended December 30, 2016 mainly due to increased brewing volumes. Cost savings from favourable contract prices on packaging materials offset the overall increases.

- Labour charges in the fourth quarter of 2016 decreased by $45 reflecting a true up in bonus accruals. Labour costs for the year ended 2016 increased $77 over the prior year end, primarily due to increased headcount resulting from the addition of Big Rock Urban brewery operations in April 2015, 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 $299 and $408 in the fourth quarter and year ended December 30, 2016 as compared to 2015, primarily due to an increase in building utility costs and property taxes.

- Inventory movement is a timing difference relating to the absorption of production costs into finished goods inventory on the statement of financial position, and the eventual charge to earnings for those costs as finished goods inventory is sold. Inventory movement costs increased by $360 for the fourth quarter of 2016 and increased by $104 for the year ended December 30, 2016 compared with the same periods.

- Cost of sales includes depreciation charges on production equipment used to convert raw materials to finished goods. Depreciation charges for the quarter and year ended December 30, 2016 increased by $109, and $91, respectively, due a higher production equipment cost base associated with the addition of the Vancouver brewery in 2015.

- Retail cost of sales include the costs associated with the restaurant operations in Vancouver and merchandise and beer and cider products that are sold to consumers through our stores located at our breweries. Retail cost of sales typically fluctuate as a percentage of sales, and has increased in the fourth quarter and year ended December 30, 2016 compared to 2015 due to increased sales for the same periods.

Per Hectolitre Cost of Sales

	Three months ended December 30			Year ended December 30		
$/hl	2016	2015	Change	2016	2015	Change
Wholesale net revenue	208.82	210.06	(1.24)	205.56	208.30	(2.74)
Wholesale cost of sales:						
Ingredients and other materials	58.26	55.40	2.86	58.89	56.32	2.57
Labour	26.83	30.06	(3.23)	26.21	28.32	(2.11)
Overhead	20.64	15.44	5.20	17.09	16.50	0.59
Inventory movement	3.79	(4.19)	7.98	(0.02)	(0.59)	0.57
Depreciation	11.00	9.39	1.61	9.33	9.73	(0.40)
Total cost of sales	120.52	106.10	14.42	111.50	110.28	1.22

Cost of sales increased by $14.40 per hectolitre (14%) for the fourth quarter ended December 30, 2016 compared to the same period in 2015 and is due mainly to the 9% increase in sales volumes, and 23% increase in costs during the period.

Cost of sales increased by $1.22 per hectolitre (1%) for the year ended December 30, 2016 due to the 10% in sales volumes and an 11% increase in costs for the year.

Selling Expenses

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
Selling:						
Delivery and distribution	803	883	(80)	3,458	3,441	17
Salaries and benefits	688	821	(133)	3,146	3,252	(106)
Marketing	421	218	203	1,525	991	534
Regional sales	762	944	(182)	3,511	4,217	(706)
Community sponsorship and other	177	273	(96)	1,007	1,286	(279)
Total selling expenses	2,851	3,139	(288)	12,647	13,187	(540)

Selling expenses decreased for the quarter by $288 and $540 for the year ended December 30, 2016, compared to the same periods in the prior year, due to the following:

- Delivery and distribution costs decreased $80 and increased $17 in the quarter and year ended December 30, 2016, respectively. The decrease in the quarter is primarily a result of cost efficiencies in the BC market and renegotiated contracts with our suppliers. The increase for the year to date is related to the opening of the Ontario brewery in the fourth quarter.

- Salaries and benefit costs decreased by $133 and $106 for the fourth quarter and year to date, respectively, due to decreases in bonus accruals and a reduction in severance costs paid in the current year.

- Marketing costs increased $203 in the fourth quarter and increased $534 for the year ended December 30, 2016, respectively. The fourth quarter increase is mainly due to artwork and design costs and expenses associated with Big Rock's rebranding activity. The year to date increase relates to increased marketing research for rebranding of Big Rock's products, which was launched with the opening of the Etobicoke brewery and Liberty brew pub in Ontario and will be launched in the remainder of Big Rock's markets in early 2017. Additionally, meetings and travel expenses increased due to the opening of the Ontario sites.

- Regional sales expense decreased by $182 for the quarter and decreased $706 for the year ended December 30, 2016. The decrease in the quarter is primarily due to a decrease in charges for expired product allowance compared to fourth quarter 2015. The year to date decrease is a result of reduced sales program activity and lower promotional materials spending.

- Community sponsorship and other expenses decreased $96 and $279 for the fourth quarter and year ended December 30, 2016, respectively, due to reduced activity as well as the timing of sponsorship related payments.

Per Hectolitre Selling Expenses

	Three months ended December 30			Year ended December 30		
$/hl	2016	2015	Change	2016	2015	Change
Selling:						
Delivery and distribution	17.09	20.32	(3.23)	17.34	18.92	(1.58)
Salaries and benefits	14.64	18.90	(4.26)	15.77	17.88	(2.11)
Marketing	8.96	5.02	3.94	7.65	5.45	2.20
Regional sales	16.22	21.72	(5.50)	17.60	23.19	(5.59)
Community sponsorship and other	3.77	6.28	(2.51)	5.05	7.07	(2.02)
Total selling expenses	60.68	72.24	(11.56)	63.41	72.51	(9.10)

Selling expenses decreased by $11.56 per hl (16%) and $9.10 per hl (12%) for the fourth quarter and year ended December 30, 2016 respectively, compared to the same periods in 2015 due to increased volumes and decreased expenses.

General and Administrative Expenses

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
General and Administrative:						
Salaries and benefits	435	372	63	2,645	1,995	650
Professional fees	189	231	(42)	778	763	15
Reporting and filing fees	9	14	(5)	95	113	(18)
Insurance	58	59	(1)	229	237	(8)
Building maintenance and taxes	110	139	(29)	405	566	(161)
Bank charges	38	38	—	163	154	9
Office, administrative and other	361	350	11	1,405	1,384	21
Total general and administrative expenses	1,200	1,203	(3)	5,720	5,212	508

General and administrative expenses decreased by $3 for the fourth quarter and increased $508 for the year ended December 30, 2016, respectively, compared with the same periods in 2015, as detailed below:

- Salaries and benefit costs increased by $63 and $650 in the quarter and year to date, respectively, due to severance costs and adjustments to the valuation of awards under Big Rock's share appreciation rights ("SAR") program, net of reduced bonus accruals.

- Professional fees, which include legal, audit, tax, accounting and other advisory and consulting services, were $42 lower for the fourth quarter mainly as a result of reduced legal costs. Professional fees were $15 higher for the year ended December 30, 2016 mainly due to increased recruitment costs, and increased tax and consulting fees.

- Reporting and filing fees decreased $5 and $18 for the fourth quarter and year to date, respectively, due to timing of TSX filing fees.

- Building maintenance and taxes decreased by $29 and $161 in both the fourth quarter and year to date, respectively, primarily due to a decrease in maintenance and utilities related to the Calgary location.

- Bank charges increased $9 for the year ended December 30, 2016 due to increased fees associated with Big Rock's term loan and operating loan facilities.

- Office, administration and other expenses increased $11 for the fourth quarter and increased $21 for the year ended December 30, 2016 compared to the 2015 comparative periods. Pre-opening costs associated with the Ontario brewery and brewpub were included in the 2016 year to date expenses, and pre-operating costs associated with the Vancouver brewery and eatery were included in the 2015 costs.

General and administrative costs would have increased by $100 (9.6%) for the fourth quarter ended December 30, 2016, after excluding share-based compensation recoveries of $56 (2015 - $56) and pre-operating costs of $125 (2015 - $227) related to the Toronto facilities when compared to the same period in 2015.

General and administrative costs would have increased by $265 (6.1%) for the year ended December 2016, after excluding share-based compensation costs of $393 (2015 - $90) and pre-operating costs of $740 of costs for the new Toronto facilities (2015 - $800 of costs for Vancouver and Toronto), compared to the same period in 2015.

Depreciation and Amortization

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
Depreciation, Cost of sales						
Wholesale	516	408	108	1,860	1,769	91
Retail	39	157	(118)	151	243	(92)
Depreciation, Other	106	17	89	394	342	52
Amortization	39	8	31	154	34	120
Total	700	590	110	2,559	2,388	171

Depreciation expense included in cost of sales decreased by $10 and $1, in the fourth quarter and year ended December 30, 2016, respectively, compared to the same period in 2015 primarily due to machinery disposals.

Other depreciation, which relates to non-production assets, increased for the fourth quarter and year ended December 30, 2016 due to asset additions for the Calgary location. Amortization expense of intangible assets, which include software, naming rights and website costs, increased due to software additions since December 2015.

Finance expenses

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
Interest on long-term debt	91	59	32	316	112	204
Interest on operating facility	20	(5)	25	33	68	(35)
Total finance expenses	111	54	57	349	180	169
Weighted average effective interest rate	6.17%	5.92%		5.82%	5.23%	

The principal amount of long term debt and bank indebtedness at December 30, 2016 was $8,844 compared to $5,136 at December 30, 2015. Interest expense increased for the quarter and year ended December 30, 2016 compared to 2015 due to higher average debt balances outstanding. Interest rates applicable to Big Rock's debt are based on the lender's prime rate.

Other income and expenses

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
Other income	18	45	(27)	123	241	(118)

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

Income Taxes

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
Current income tax expense (recovery)	12	80	(68)	(272)	275	(547)
Deferred income tax expense (recovery)	(38)	(45)	7	233	(151)	384

Current income tax expense for the fourth quarter ended December 30, 2016 was $12 (2015 – $80) bringing the year to date current tax recovery $272 (2015 – expense of $275). These taxes arise from the transitional provisions on the taxation of partnership structures.

During the fourth quarter ended December 30, 2016, the Corporation recorded a deferred income tax recovery of $38, bringing the year to date deferred tax expense to $233 compared to a recovery of $151 for 2015. 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 Statements of Financial Position for December 30, 2016 compared to December 30, 2015:

($000)	Increase/ (Decrease)	Primary factors explaining change
Property, plant and equipment	3,391	AB and ON brewery and machinery additions, net of amortization offset by reclassification of land held for sale
Intangible assets	(120)	Amortization in excess of additions
Inventories	209	Increases in raw materials, WIP, and consignment product due to increased demand reflecting increased sales and opening of the Etobicoke brewery
Accounts receivable	(927)	Decrease in outstanding day sales in Alberta and BC
Prepaid expenses and deposits	(145)	Due to amortization of balances
Long term debt	2,112	Draws on term loans to fund capital purchases
Share-based payments liability	202	Higher SAR valuation due to increase in share price
Deferred income taxes	233	Tax effect of changes in temporary differences
Current income taxes	(51)	Reduction in expected taxable income
Accounts payable and accrued liabilities	67	Timing of supplier payments
Bank indebtedness	1,596	Increase in the operating loan balance

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

	As at December 30	
($000)	2016	2015
Cash	(207)	(540)
Total debt	8,844	5,136
Net Debt	8,637	4,596
Shareholders' equity:		
Shareholders' capital	113,121	113,121
Contributed surplus	1,438	1,255
Accumulated deficit	(77,289)	(76,836)
Total shareholders' equity	37,270	37,540
Total capitalization (total debt plus shareholders' equity, net of cash balances)[1]	45,907	42,136
Net debt to capitalization ratio[1]	18.8%	10.9%

[1] Non-GAAP measure. See Non-GAAP Measures

Capital Strategy

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

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting and working capital management, and adjusts he 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. The Corporation prepares annual expenditure budgets, which are approved by the Board of Directors, to facilitate the management of its capital requirements. 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) EBITDA to net debt and (ii) EBITDA to interest, debt repayments and dividends ("fixed charges"). 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. The calculation of EBITDA is a non-GAAP measure, whose nearest GAAP measure is net income with the reconciliation between the two as follows:

($000)	Year Ended December 30	
	2016	2015
EBITDA[1]	$ 2,416	$ 1,617
Deduct: Depreciation & amortization	2,559	2,388
Earnings before interest and taxes	(143)	(771)
Deduct: Interest	349	180
Deduct: Income tax charge	(39)	124
Net loss	$ (453)	$ (1,075)

(1) Non-GAAP Measure. See Non-GAAP Measures

These capital policies provide Big Rock with access to capital at a reasonable cost. Big Rock's borrowing facilities have financial tests and other covenants customary for these types of facilities and must be met at each reporting date.

Shareholders' Capital

	# of shares	$ Amount (thousands)
As at December 30, 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. Subsequent to December 30, 2016, a total of 105,700 stock options were exercised, for gross proceeds of $638. As at March 2, 2017 there were 6,981,628 issued and outstanding shares and the closing price was $6.21 per share. Based upon 6,981,628 issued shares, the Corporation has an approximate market capitalization of $43.4 million.

Share-Based Compensation Plan

Share Options

Under the terms of the Corporation's Share Option Plan, share options granted include a maximum exercise period of five years and vest immediately upon issue. The following options were granted during the years ended December 30, 2016 and 2015. 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 are shown below.

Option grant date	September 8 2016	March 31 2016	September 10 2015	May 14 2015
Options granted (#)	58,500	58,500	58,500	58,500
Exercise price ($/share)	6.16	5.12	5.91	7.46
Expiry date	September 8, 2021	March 31, 2021	September 10, 2020	May 14, 2020
Weighted average fair value	1.78	1.35	1.33	1.60
Risk-free interest rate (%)	0.63	0.65	0.65	0.89
Expected life (years)	4	4	4	4
Dividend yield (%)	0.00	0.00	0.00	0.00
Volatility (%)	35.3	34.7	29.4	28.7

There were no share-based compensation expenses recognized during the fourth quarter of 2016 or 2015 as there were no stock options issued. For the year ended December 30, 2016, a share-based compensation charge of $183 (2015 - $172) for options was recognized in the consolidated statements of comprehensive loss. 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	(49,000)	13.74	(108,000)	16.08
Granted	117,000	5.64	117,000	6.64
Balance, end of year	585,000	$ 11.56	517,000	$ 13.10

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

Exercise price	# of Options outstanding at December 30, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at December 30, 2016
$5.12 to $6.81	175,500	4.19	$ 5.70	175,500
$6.82 to $14.26	175,500	1.39	$ 1.49	175,500
$14.27 to $18.06	234,000	1.96	$ 16.00	234,000
Balance, December 30	585,000	2.46	$ 11.56	585,000

Subsequent to December 30, 2016, a total of 105,700 stock options were exercised, and the remaining 479,300 issued and outstanding options were cancelled.

Share Appreciation Rights

In March 2012, the Corporation introduced a share appreciation rights ("SAR") plan as a component of overall compensation of directors, officers and employees. These SARs vest immediately and are exercisable for five years thereafter. At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the balance sheet and recorded as compensation expense.

As at December 30, 2016, the fair value of the SARs was calculated and resulted in a liability of $336 (2015 - $134) and an expense of $210 was recorded in general and administrative expenses (2015 – recovery of $82).

The following SARs were granted during the years ended December 30, 2016 and 2015. As at December 30, 2016, the weighted average fair value of the SARs issued and outstanding at the balance sheet date was estimated using the Black-Scholes option pricing model assumptions as noted below:

SARs grant date	March 10, 2016	September 10, 2015	May 14, 2015
SARs granted (#)	79,000	73,000	57,000
Exercise price ($/share)	5.12	5.82	7.46
Expiry date	March 10, 2021	September 10, 2020	May 14, 2020
Weighted average fair value	2.11	1.71	1.12
Risk-free interest rate (%)	1.00	0.93	0.89
Expected life (years)	4.20	3.70	3.37
Dividend yield (%)	0.00	0.00	0.00
Volatility (%)	35.7	35.7	35.7

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

	2016		2015	
	# of SARs	Weighted average exercise price	# of SARs	Weighted average exercise price
Balance, beginning of year	391,900	$ 12.24	303,800	$ 14.97
Forfeited	(32,000)	13.85	(41,900)	14.47
Exercised	(12,000)	5.47	—	—
Granted	79,000	5.12	130,000	6.54
Balance, end of year	426,900	$ 10.99	391,900	$ 12.24

Cash Flows

($000)	Three months ended December 30			Year ended December 30		
	2016	2015	Change	2016	2015	Change
OPERATING ACTIVITIES						
Net income for the period, adjusted for items not affecting cash	310	607	(297)	2,664	1,322	1,342
Net change in non-cash working capital related to operations	(352)	(675)	323	879	781	98
Cash provided by (used in) operating activities	**(42)**	**(68)**	**26**	**3,543**	**2,103**	**1,440**
FINANCING ACTIVITIES						
Increase in bank indebtedness	1,545	644	901	1,596	1,247	349
Dividend payments	—	—	—	—	(1,375)	1,375
Proceeds from (repayments on) long-term debt	(98)	854	(952)	2,112	3,889	(1,777)
Cash provided by (used in) financing activities	**1,447**	**1,498**	**(51)**	**3,708**	**3,761**	**(53)**
INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(2,029)	(1,458)	(571)	(7,691)	(6,643)	(1,048)
Purchase of intangibles	—	(24)	24	(36)	(325)	289
Proceeds from sale of equipment	11	13	(2)	143	160	(17)
Cash used in investing activities	**(2,018)**	**(1,469)**	**(549)**	**(7,584)**	**(6,808)**	**(776)**
Net change in cash	(613)	(39)	(574)	(333)	(944)	611

Operating Activities

Cash used in operating activities for the fourth quarter ended December 30, 2016 totalled $42, an increase of $26 compared to the same period last year, due to an increase in non-cash working capital. Cash provided by operating activities increased by $1,440 for the year ended December 30, 2016 to $3,543, compared to the same period in 2015, due to higher net income resulting from increased sales volumes, and decreases in operating expenses.

Financing Activities

Cash provided by financing activities decreased by $51 and $53 for the fourth quarter and year ended December 30, 2016, respectively, due to an increase in long term debt repayments, offset by increased borrowings under the revolving credit facility. Big Rock's outstanding debt as at December 30, 2016 and December 30, 2015 was:

($000)	As at December 30	
Loan Facilities:	2016	2015
Bank indebtedness[(1)]	$ 2,843	$ 1,247
Term debt, including current portion	$ 3,533	$ 1,850
Finance lease	2,500	2,039
Debt issue costs	(32)	—
Total long term debt	$ 6,001	$ 3,889
Total debt	$ 8,844	$ 5,136

(1) Includes $2,435 outstanding on the operating line, and $408 in outstanding, issued cheques (2015 - $0 operating line and $1,247 in outstanding, issued cheques)

Big Rock has an $11 million committed loan facility comprised of a $5 million revolving operating loan and a committed revolving $6 million 5-year term loan. There was a total of $3,533 outstanding on the term loan at December 30, 2016 compared to $1,850 as at December 30, 2015. The outstanding balance on the operating loan facility was $2,435 as at December 30, 2016 compared to $nil as at December 30, 2015.

Interest is payable for prime-based loans under the revolving operating facility at the financial institution's prime rate plus 0.75 and on the term facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable. The loan facilities are subject to financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio covenant which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month EBITDA, less an amount for maintenance capital compared to the rolling 12-months fixed charges, which is the sum of interest, dividends and income taxes paid, and principal repayments. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. The Corporation was in compliance with its covenants at December 30, 2016.

Big Rock has $2.5 million outstanding under a finance lease which was made available in July, 2015 to purchase certain production equipment relating to the Corporation's Ontario expansion. Interest on this facility is charged at the bank's prime rate plus 3.67 percent. This facility has a term of 5 years.

Investing Activities

For the fourth quarter and year ended December 30, 2016, capital spending, net of dispositions, was $2,018 and $7,584, respectively, compared to net additions of $1,469 and $6,808, respectively, for the fourth quarter and year ended December 30, 2015. The majority of capital spending in 2016 related to the brewery and brewpub facilities and related equipment in Ontario whereas, 2015 capital expenditures included costs for the Vancouver brewery and restaurant, and the Ontario facilities.

($000)	Three months ended December 30			Year ended December 30		
Net purchases/(transfers)	2016	2015	Change	2016	2015	Change
Land	53	—	53	59	12	47
Buildings & leasehold improvements	—	489	(489)	3,421	2,508	913
Brewery machinery & equipment	1,152	851	301	3,084	3,260	(176)
Vehicles	5	118	(113)	78	186	(108)
Office furniture & fixtures	819	—	819	999	552	447
Returnable containers	—	—	—	50	125	(75)
Capital spending, tangible assets	2,029	1,458	571	7,691	6,643	1,048
Capital spending, intangible assets	—	24	(24)	36	325	(289)
Total capital spending	2,029	1,482	547	7,727	6,968	759
Proceeds on dispositions	(11)	(13)	2	(143)	(160)	17
Net capital spending	2,018	1,469	549	7,584	6,808	776

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 Corporation's 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, any future reinstatement of dividends cannot be assured. Dividends are subject to the risk factors described herein and in the Corporation's public disclosure documents including its Annual Information Form dated March 2, 2017 that is available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Income taxes payable

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

Deferred income taxes

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

Keg deposit liability

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

Property, plant and equipment

Calculation of the net book value of property, plant and equipment requires Big Rock to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the Consolidated Statement of Financial Position.

Impairment assessment

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

RISKS RELATED TO THE BUSINESS AND INDUSTRY

Big Rock operates in an environment that is both highly competitive and subject to significant government regulation. 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 or financial results.

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, selling prices 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 replaced. As Alberta is Big Rock's predominant market, future changes to this mark-up rate structure could have significant impacts on the Corporation's financial results. The Corporation will continue to assess the longer-term implications of recent changes.

Financial Risk

The Corporation's principal financial instruments are: 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 and long term debt. The primary risks arising from the Corporation's financial instruments are foreign exchange risk, interest rate risk, credit risk, liquidity risk and commodity price 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.

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 the Corporation's foreign exchange exposure.

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

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 the Corporation's interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation.

The 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 fourth quarter and year ended December 30, 2016 was 6.17% (2015 – 5.92%) and 5.82% (2015 – 5.23%), respectively.

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 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, profitability 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 pricing fluctuations.

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.

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 2, 2017 that is available on www.sedar.com.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND CONTINGENCIES

Big Rock has entered into various commitments for expenditures covering utilities, raw materials, marketing initiatives and leasing of facilities. The commitments for the next 5 years are as follows:

($000)	2017	2018	2019	2020	2021	thereafter
Utilities contracts	$ 114	$ 77	$ —	$ —	$ —	$ —
Raw material purchase commitments	3,096	—	—	—	—	—
Marketing sponsorships	397	336	181	80	81	—
Building leases	1,197	1,212	1,191	1,267	1,013	2,042
Total	**$ 4,804**	**$ 1,625**	**$ 1,372**	**$ 1,347**	**$ 1,094**	**$ 2,042**

Big Rock has 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. Operating lease payments of $825 (2015 - $860) were recognized as expense in the Consolidated Statements of Comprehensive Loss.

SUBSEQUENT EVENTS

Stock Options: On January 23, 2017, 105,700 stock options were exercised for gross proceeds of $638. On January 29, 2017, the remaining 479,300 stock options were cancelled. On March 2, 2017, 156,000 SARS were granted to officers, directors and employees at an exercise price of $6.16 and expiry date of March 2, 2022. The SAR's will vest in increments of thirds, with the first tranche vesting immediately, and one-third on the first and second anniversary from the date of grant.

Undeveloped land sale: The Corporation executed a binding sales agreement on January 20, 2017 to sell a total of 3.6 acres of undeveloped land for gross proceeds of $2,538. The land will be sold in two parcels, with the first closing anticipated to be in late March 2017, and the second closing to follow 180 days thereafter. Pursuant to the sales agreement, Big Rock has committed to certain upgrades to the land that address municipal water management requirements. The purchaser is withholding approximately $400 of the gross proceeds, which will be released to Big Rock upon completion of these upgrades.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS Policies

The Corporation's consolidated financial statements as at and for the years ended December 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 30, 2016 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, which are not yet effective:

- 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.

- Amendments to IFRS 2 *Share-based Payments* are effective for annual periods beginning on or after January 1, 2018. The amendments provide guidance on accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- 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 10 *Consolidated Financial Statements* has been amended to require certain transactions that must be recognized by the parent in the event that a parent loses control of a subsidiary.

- 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 any of these standards, 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 December 30, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's management under the supervision of, and with the participation of, the Interim CEO and Interim 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 Interim CEO and Interim CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Corporation's controls over financial reporting for the year ended December 30, 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 December 30, 2016, the Interim CEO and Interim CFO have concluded that the Corporation's ICFR were effective as at that date. No material weaknesses existed within the Corporation's ICFR as of December 30, 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 previously 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 the third quarter of 2016. The brewpub and retail operations located in Liberty Village, near the Etobicoke brewery opened at the end of January 2017.

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.

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 2017 and beyond.

NON-GAAP MEASURES

The Corporation uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by Generally Accepted Accounting Principles. The following terms "total capitalization", "net debt to total capitalization ratio", "earnings before interest, taxes, depreciation and amortization ("EBITDA") to net debt", EBITDA to interest, debt repayments and dividends ("fixed charges")" are not recognized measures under GAAP and may not be comparable to that reported by other companies. Total capitalization is calculated by adding shareholders' equity, total debt and cash balances. EBITDA is calculated by adding back to net income, interest, income taxes and depreciation and amortization. EBITDA to net debt is calculated by dividing EBITDA by net debt (debt minus cash) and EBITDA to fixed charges is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA. Management uses these ratios to evaluate the Corporation's operating results.

In addition, the Corporation's lender uses EBITDA to fixed charges ratio to evaluate the Corporation's ongoing cash generating capability and to determine the amounts and rates at which the lender is willing to finance Big Rock. Management believes that, in addition to net income and cash flow from operating activities, these measures are useful supplemental measures as they provide an indication of Big Rock's operating performance and leverage. ***Readers are cautioned that these measures should not be construed as an alternative to net income or cash flow from operating activities as calculated under GAAP***.

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 sales volumes;
- the potential introduction of new permanent and seasonal brands in 2017 and beyond;
- projections of market prices and costs;
- treatment under governmental regulatory and taxation regimes;
- supply and demand of Big Rock's products;
- the impact of recent changes in Alberta mark-up rates; and
- The anticipated closing of the Corporation's sale of undeveloped land.

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
- the Corporation's sale of undeveloped land will close as anticipated.

Big Rock's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Corporation's 2016 Annual Information Form dated March 2, 2017 that is available on SEDAR at www.sedar.com. 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.

BIG ROCK BREWERY

FINANCIALS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 2, 2017

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

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

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

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

Barbara E. Feit
Interim Chief Executive Officer

Tracie L. Noble
Interim Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Big Rock Brewery Inc.

We have audited the accompanying consolidated financial statements of Big Rock Brewery Inc., which comprise the consolidated statements of financial position as at December 30, 2016 and 2015, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Big Rock Brewery Inc. as at December 30, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

Calgary, Canada
March 2, 2017

Chartered Professional Accountants

BIG ROCK BREWERY INC.

Consolidated Statements of Comprehensive Loss

(In thousands of Canadian dollars, except per share amounts)

		Year ended December 30	
	Note	2016	2015
Net revenue	4	$ 43,126	$ 39,582
Cost of sales	5, 25	24,477	21,819
Gross profit		18,649	17,763
Expenses			
Selling expenses	6	12,647	13,187
General and administrative	7, 25	5,720	5,212
Depreciation and amortization		548	376
Operating expenses		18,915	18,775
Operating loss		(266)	(1,012)
Finance expenses	8	349	180
Other income		123	241
Loss before income taxes		(492)	(951)
Income tax expense (recovery)	9		
Current		(272)	275
Deferred		233	(151)
		(39)	124
Net loss and comprehensive loss		$ (453)	$ (1,075)
Net loss per share			
Basic and diluted	10	$ (0.07)	$ (0.16)

See accompanying notes to the consolidated financial statements

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

		As at December 30	
	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	11	$ 45,999	$ 42,608
Intangible assets	12	336	456
		46,335	43,064
Current			
Land held for sale	13	1,819	—
Inventories	14	5,144	4,935
Accounts receivable	15,26	1,294	2,221
Prepaid expenses and deposits	16	410	555
Cash		207	540
		8,874	8,251
Total assets		$ 55,209	$ 51,315
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
Shareholders' capital	17	$ 113,121	$ 113,121
Contributed surplus	18	1,438	1,255
Accumulated deficit		(77,289)	(76,836)
		37,270	37,540
LIABILITIES			
Non-current			
Long term debt	19	5,339	3,485
Share-based payment liabilities	18	336	134
Lease incentive liability	20	186	181
Deferred income taxes	9	4,632	4,399
		10,493	8,199
Current			
Accounts payable and accrued liabilities	21,26	3,937	3,870
Current taxes payable	9	4	55
Current portion of long term debt	19	662	404
Bank indebtedness	19	2,843	1,247
		7,446	5,576
Total liabilities and shareholders' equity		$ 55,209	$ 51,315

Commitments	28
Subsequent Event	30

See accompanying notes
to the consolidated financial statements

On behalf of the Board:

John Hartley
Director

Michael Kohut
Director

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

		Year ended December 30	
	Note	2016	2015
OPERATING ACTIVITIES			
Net loss for the year		$ (453)	$ (1,075)
Items not affecting cash:			
Depreciation and amortization		2,559	2,388
Gain on sale of assets		(65)	(111)
Share-based compensation		385	90
Lease incentive		5	181
Deferred income tax expense (recovery)		233	(151)
Net change in non-cash working capital related to operations	26	879	781
Cash provided by operating activities		3,543	2,103
FINANCING ACTIVITIES			
Increase in bank indebtedness		1,596	1,247
Proceeds from long-term debt		2,112	3,889
Dividend payments		—	(1,375)
Cash provided by financing activities		3,708	3,761
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,691)	(6,643)
Purchase of intangibles		(36)	(325)
Proceeds from sale of equipment		143	160
Cash used in investing activities		(7,584)	(6,808)
Net decrease in cash		(333)	(944)
Cash, beginning of year		540	1,484
Cash, end of year		$ 207	$ 540

Supplemental cash-flow information		
Cash interest paid	$ 357	$ 181
Cash taxes paid	57	241

See accompanying notes to the condensed consolidated financial statements

BIG ROCK BREWERY INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2014	$ 113,121	$ 1,083	$ (75,761)	$ 38,443
Share-based payments	—	172	—	172
Total comprehensive loss	—	—	(1,075)	(1,075)
Balance as at December 30, 2015	113,121	1,255	(76,836)	37,540
Share-based payments	—	183	—	183
Total comprehensive loss	—	—	(453)	(453)
Balance as at December 30, 2016	$ 113,121	$ 1,438	$ (77,289)	$ 37,270

See accompanying notes to the consolidated financial statements

(In thousands of Canadian dollars, unless otherwise stated)

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 listed on the Toronto Stock Exchange and trade under the symbol “BR”.

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These financial statements were approved and authorized for issue by the Board of Directors on March 2, 2017.

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 which are not yet effective:

- 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.

- Amendments to IFRS 2 *Share-based payments* are effective for annual periods beginning on or after January 1, 2018. The amendments provide guidance on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2018 and early adoption is permitted. 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 based on 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. These amendments introduce a single, forward – looking "expected loss" impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

- IFRS 10 *Consolidated Financial Statements* has been amended to require certain transactions that must be recognized by the parent in the event that a parent loses control of a subsidiary.

- 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 will be effective for Big Rock fiscal year beginning on December 31, 2018. IFRS 15 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 certain 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, for Big Rock this standard will be effective for the fiscal year beginning December 31, 2019. IFRS 16 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 consolidated financial statements of the Corporation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments and estimates

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

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

Significant judgments

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

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

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

Assumptions and critical estimates

Keg deposit liability
In determining the liability for return of keg deposits, Big Rock estimates that a portion of circulating kegs will never be returned for refund. Big Rock estimates that approximately 98% of kegs are returned for refund in each turn of inventory. Management recognizes a liability for one turn plus an additional amount, estimated as 1% of one turn, for very old kegs. As at December 30, 2016, a balance of $299 (2015 - $231) was included in Accounts payable and accrued liabilities in respect of the keg deposit liability.

Sensitivity analysis
An increase in the quantity of old kegs returned of 10% of one turn would result in an additional liability and charge to net income of $2.

Property, plant and equipment
Calculation of the net book value of property, plant and equipment requires Big Rock to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the Consolidated Statement of Financial Position.

Sensitivity analysis
A 10% decrease in useful lives of Big Rock's property, plant and equipment would result in an additional depreciation charge to net income of $3.

3.2 Revenue recognition

Revenue is recognized on product sales at the time the product is shipped and when the following conditions exist: title has passed to the purchaser according to the shipping terms, the price is fixed and reasonably determinable, and collection of the sales proceeds is reasonably assured. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, discounts, applicable federal and provincial production, environmental and excise taxes levied by provincial liquor boards and the federal government.

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

(In thousands of Canadian dollars, unless otherwise stated)

3.3 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all related conditions are complied with. Government grants received in respect of expenditures are credited to income, netted against the expense to which they relate. Government grants in respect of capital expenditures are credited to the carrying amount of the related asset and are realized to income over the expended useful life of the related asset.

3.4 Accounts receivable

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

3.5 Inventories

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

Inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost method. If the net realizable value is less than cost, inventories are written down. If the net realizable value subsequently increases, a reversal of the loss initially recognized is applied to cost of sales.

3.6 Property, plant and equipment

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

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

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

Depreciation of these assets commences when the assets are ready for their intended use. The Corporation conducts an annual assessment of the residual balances and useful lives being used for PP&E and any changes arising from the assessment are applied by the Corporation prospectively.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the Consolidated Statement of Comprehensive Loss.

3.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an intangible asset consists of the purchase price plus any costs directly attributable to bringing the asset to the condition necessary for its intended use.

Amortization is provided at rates calculated to write off the cost of intangible assets, less the estimated residual values, using the straight-line method over the following expected useful lives:

Computer software	3 years
Intellectual property	10 years
Website	6 years

Amortization of these assets commences when the assets are ready for their intended use. The Corporation conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Corporation prospectively.

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

3.8 Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs of disposal 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 Consolidated Statements of Comprehensive Loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount, to the extent 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.

3.9 Share-based payments

Share-based payment transactions

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

Equity-settled transactions

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

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

Cash-settled transactions

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

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

3.10 Taxation

Current income tax

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

Deferred income tax

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

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

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the Consolidated Statements of Comprehensive Loss.

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

3.11 Keg deposits

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

3.12 Loss per share

Basic loss per share is calculated by dividing the net income loss by the weighted average number of common shares outstanding during the period. Diluted income loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive potential common shares which comprise the exercise of share options. The calculation assumes that the proceeds on exercise of the options are used to repurchase shares at the average market price during the period. Should the Corporation have a loss in a period, the options would be anti-dilutive and are excluded from the determination of fully diluted loss per share.

3.13 Financial instruments

Financial assets

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

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary. At December 30, 2016, the Corporation has not classified any financial assets as FVTPL, available-for-sale or held-to-maturity.

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

Financial liabilities

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

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

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

Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire or when the contractual rights to those assets are transferred. A financial liability is de-recognized when the obligation is discharged, cancelled or expires. Gains and losses on de-recognition are recognized in income when incurred. Where an existing financial liability is replaced by another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is de-recognized and the new liability is recognized with a difference in the carrying amounts recognized in the Consolidated Statements of Comprehensive Loss.

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Big Rock does not employ hedge accounting for its risk management contracts.

3.14 Impairment of financial instruments

Financial assets are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired, which would indicate one or more events have had a negative effect on the estimated future cash flows of the asset and will not be realized. For loans and receivables, the amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. If there is impairment, the carrying amount of the financial asset is reduced by the impairment loss, except for trade receivables where the carrying amount is reduced through the use of an allowance account. The loss is recognized in the Consolidated Statements of Comprehensive Loss. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Consolidated Statements of Comprehensive Loss.

3.15 Provisions

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

3.16 Leases

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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Corporation is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Consolidated Statements of Comprehensive Loss.

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

Operating lease payments are recognized as an operating expense in the Consolidated Statements of Comprehensive Loss on a straight-line basis over the lease term.

(In thousands of Canadian dollars, unless otherwise stated)

Lease incentives are initially recorded as a liability on the Consolidated Statements of Financial Position and amortized on a straight line-basis to expenses over the lease term in accordance with *SIC 15 Operating Leases – Incentives*.

4. NET REVENUE

	Year ended December 30	
	2016	2015
Gross product revenues	$ 58,324	$ 51,793
Federal excise taxes	(5,336)	(4,496)
Provincial liquor tax programs	(9,862)	(7,715)
Net revenue	$ 43,126	$ 39,582

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 commissions. Federal excise taxes are assessed on world-wide production of beer at tiered rates up to $31.22 per hectolitre and on cider production at $29.50 per hectolitre. Provincial liquor control board commissions cover distributions and other service charges.

During 2016, Big Rock received grant proceeds of $4,907, through the Alberta Small Brewers Development Grant Program. Grant proceeds have been included as an offset in the Provincial liquor tax programs.

5. COST OF SALES

Cost of sales is broken down into its cash and non-cash components as follows:

	Year ended December 30	
	2016	2015
Operating expenses	$ 22,466	$ 19,807
Depreciation and amortization	2,011	2,012
Cost of sales	$ 24,477	$ 21,819

6. SELLING EXPENSES

Selling expenses include the following:

	Year ended December 30	
	2016	2015
Delivery and distribution costs	$ 3,458	$ 3,441
Salaries and benefits	3,146	3,252
Marketing	1,525	991
Regional sales	3,511	4,217
Community sponsorship and other	1,007	1,286
Selling expenses	$ 12,647	$ 13,187

(In thousands of Canadian dollars, unless otherwise stated)

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

	Year ended December 30	
	2016	2015
Salaries and benefits [1]	$ 2,645	$ 1,995
Professional fees	778	763
Reporting and filing fees	95	113
Insurance	229	237
Building maintenance and taxes	405	566
Bank charges	163	154
Office, administrative and other	1,405	1,384
General and administrative expenses	$ 5,720	$ 5,212

[1] For the year ended December 31, 2016, salaries and benefits expense included share option expense of $183 (2015 – $172) and share appreciation rights (“SAR”) expense of $210 (2015 – recovery of $82).

8. FINANCE EXPENSES

Finance expenses include the following:

	Year ended December 30	
	2016	2015
Interest on long-term debt	$ 316	$ 112
Interest on operating facility	33	68
Finance expenses	$ 349	$ 180

9. INCOME TAXES

Income tax expense is comprised of the following:

	Year ended December 30	
	2016	2015
Current tax expense (recovery)	$ (272)	$ 275
Deferred tax expense (recovery)	233	(151)
Income tax expense (recovery)	$ (39)	$ 124

The following table reconciles the theoretical income tax expense using a weighted average Canadian federal and provincial rate of 26.91% (2015 – 26.04%) to the reported tax expense. The reconciling items represent, aside from the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements, in accordance with IFRS.

(In thousands of Canadian dollars, unless otherwise stated)

	Year ended December 30 2016	2015
Loss before income taxes	$ (492)	$ (951)
Income tax expense (recovery) at statutory rate of 26.91% (2015 – 26.04%)	(132)	(248)
Effect on taxes of:		
Share-based compensation expenses	49	45
Non-deductible expenses	36	48
True-up of opening timing differences	8	(23)
Impact of rate change on temporary differences	—	302
Income tax expense (recovery)	$ (39)	$ 124

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

	Property, plant and equipment	Share & Debt issue costs	Deferral of partnership income	Other	Total
As at December 30, 2015	$ 4,765	$ (181)	$ (86)	$ (99)	$ 4,399
Charged to the Consolidated Statements of Comprehensive Loss	127	61	86	(41)	233
As at December 30, 2016	$ 4,892	$ (120)	$ —	$ (140)	$ 4,632

10. LOSS PER SHARE

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

Basic	Year ended December 30 2016	2015
Net loss	$ (453)	$ (1,075)
Shares outstanding, beginning of the year	6,875,928	6,875,928
Weighted average # of shares issued during the year	—	—
Basic # shares outstanding during the year	6,875,928	6,875,928
Effect of stock options outstanding	—	—
Diluted # shares outstanding during the year	6,875,928	6,875,928
Net loss per share:		
Basic	$ (0.07)	$ (0.16)
Diluted	$ (0.07)	$ (0.16)

(In thousands of Canadian dollars, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable containers	Total
Cost								
As at December 30, 2014	$ 8,365	$ 15,199	$ 22,628	$ 889	$ 737	$ 214	$ 1,711	$ 49,743
Additions	12	2,508	3,260	186	552	—	125	6,643
Disposals	—	(15)	(10)	(21)	(3)	—	(320)	(369)
As at December 30, 2015	$ 8,377	$ 17,692	$ 25,878	$ 1,054	$ 1,286	$ 214	$ 1,516	$ 56,017
Additions	59	3,421	3,084	78	999	—	50	7,691
Disposals	—	—	(425)	—	(3)	—	(114)	(542)
Assets held for sale	(1,819)	—	—	—	—	—	—	(1,819)
As at December 30, 2016	$ 6,617	$ 21,113	$ 28,537	$ 1,132	$ 2,282	$ 214	$ 1,452	$ 61,347
Accumulated depreciation								
As at December 30, 2014	$ —	$ 1,410	$ 8,690	$ 312	$ 273	$ 77	$ 583	$ 11,345
Charge for the year	—	409	1,436	139	243	15	142	2,384
Disposals	—	(2)	(4)	(17)	—	—	(297)	(320)
As at December 30, 2015	—	$ 1,817	$ 10,122	$ 434	$ 516	$ 92	$ 428	$ 13,409
Charge for the year	—	438	1,355	158	289	15	148	2,403
Disposals	—	—	(403)	—	(1)	—	(60)	(464)
As at December 30, 2016	$ —	$ 2,255	$ 11,074	$ 592	$ 804	$ 107	$ 516	$ 15,348
Net book value								
As at December 30, 2015	$ 8,377	$ 15,875	$ 15,756	$ 620	$ 770	$ 122	$ 1,088	$ 42,608
As at December 30, 2016	$ 6,617	$ 18,858	$ 17,463	$ 540	$ 1,478	$ 107	$ 936	$ 45,999

There were no indicators of impairment in the carrying value of the Corporation's property, plant and equipment noted as at December 30, 2016 and 2015, and no provision recorded.

(In thousands of Canadian dollars, unless otherwise stated)

12. INTANGIBLE ASSETS

Intangible assets are broken down as follows:

	Computer software	Intellectual property	Website costs	Total
Cost				
As at December 30, 2014	$ 260	$ 170	$ 22	$ 452
Additions	325	—	—	325
As at December 30, 2015	$ 585	$ 170	$ 22	$ 777
Additions	36	—	—	36
As at December 30, 2016	$ 621	$ 170	$ 22	$ 813
Accumulated amortization				
As at December 30, 2014	$ 177	$ 95	$ 15	$ 287
Charge for the year	12	16	6	34
As at December 30, 2015	$ 189	$ 111	$ 21	$ 321
Charge for the year	135	20	1	156
As at December 30, 2016	$ 324	$ 131	$ 22	$ 477
Net book value				
As at December 30, 2015	$ 396	$ 59	$ 1	$ 456
As at December 30, 2016	$ 297	$ 39	$ —	$ 336

As at December 30, 2016 and 2015, there were no indicators of impairment noted in the carrying value of the Corporations intangible assets and no provision recorded.

13. LAND HELD FOR SALE

At December 30, 2016, the Corporation reclassified the carrying value of vacant land from the property, plant and equipment to land held for sale, due to a sales agreement, which was executed on January 20, 2017. The undeveloped land was valued at the lower of carrying amount and fair value less costs of disposal.

14. INVENTORIES

Inventories are categorized as follows:

	As at December 30	
	2016	2015
Raw materials and containers	$ 1,583	$ 1,447
Brews in progress	1,162	1,091
Finished product	1,792	1,901
Consignment product	444	315
Retail store	163	181
Total inventories	$ 5,144	$ 4,935

During the year ended December 30, 2016, charges of $589 (2015 - $423) were recorded to cost of sales 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 in respect of inventory write-downs during the years ended December 30, 2016 and 2015.

(In thousands of Canadian dollars, unless otherwise stated)

15. 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 comprised of:

	As at December 30	
	2016	2015
Provincial liquor boards	$ 1,116	$ 2,033
Other receivables	178	188
Total accounts receivable	$ 1,294	$ 2,221

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

	As at December 30	
	2016	2015
Less than 30 days	$ 1,018	$ 938
30 – 60 days	205	1,276
60 – 90 days	56	—
Over 90 days	15	7
	$ 1,294	$ 2,221

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

16. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are categorized as follows:

	As at December 30	
	2016	2015
Community sponsorship	$ 44	$ 59
Insurance & property taxes	127	92
Equipment deposits, rental and maintenance	123	124
Promotional materials	30	96
Consulting	4	114
Other	82	70
Total prepaid expenses and deposits	$ 410	$ 555

17. SHARE CAPITAL

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

	2016		2015	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding, beginning of year	6,875,928	113,121	6,875,928	113,121
Outstanding, end of year	6,875,928	113,121	6,875,928	113,121

(In thousands of Canadian dollars, unless otherwise stated)

18. SHARE-BASED PAYMENTS

Big Rock has two share-based compensation plans: a 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.

18.1 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 the 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.

The following options were granted during the years ended December 30, 2016 and 2015. The weighted average fair value of options granted was estimated using the Black-Scholes option pricing model at the grant date and the weighted average assumptions used for the calculations are shown below.

	2016		2015	
Option grant date	Sep 8	Mar 10	Sep 10	May 14
Options granted (#)	58,500	58,500	58,500	58,500
Exercise price ($/share)	6.16	5.12	5.91	7.46
Expiry date	Sep 8, 2021	Mar 31, 2021	Sep 10, 2020	May 14, 2020
Weighted average fair value ($)	1.78	1.35	1.33	1.60
Risk-free interest rate (%)	0.63	0.65	0.65	0.89
Expected life (years)	4	4	4	4
Dividend yield (%)	0	0	0	0
Forfeiture rate (%)	0	0	0	0
Volatility (%)	35.3	34.7	29.4	28.7

A share-based compensation charge of $183 for the options granted during the year ended December 30, 2016 (2015 - $172) was recognized in the Statement of Comprehensive Loss and is 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	(49,000)	13.74	(108,000)	16.08
Granted	117,000	5.64	117,000	6.64
Balance, end of year	585,000	11.56	517,000	13.10

(In thousands of Canadian dollars, unless otherwise stated)

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

Exercise price	Options outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Options exercisable (#)
$5.12 to $6.81	175,500	4.19	5.70	175,500
$6.82 to $14.26	175,500	1.39	11.49	175,500
$14.27 to $18.06	234,000	1.96	16.00	234,000
Balance, end of year	585,000	2.46	11.56	585,000

18.2 Share Appreciation Rights Plan

Under the Share Appreciation Rights Plan, the Board of Directors may issue an unlimited number SARs. The SAR's vest immediately and are exercisable for five years thereafter. The exercise of SARs 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 Statement of Financial Position and as a compensation expense in the Consolidated Statements of Comprehensive Loss.

As at December 30, 2016, the fair value of the SARs was calculated and resulted in a liability of $336 (2015 - $134) and an expense of $210 was recorded in general and administrative expenses (2015 – recovery of $82).

The following SARs were issued during the year ended December 31, 2016 and 2015. The weighted average fair value of the SARs outstanding at the balance sheet date was estimated using the Black-Scholes option pricing model and the weighted average assumptions used for the calculations were:

SARs grant date	March 10, 2016	September 10, 2015	May 14, 2015
SARs granted (#)	79,000	73,000	57,000
Exercise price ($)	5.12	5.82	7.46
Expiry date	March 10, 2021	September 10, 2020	May 14, 2020
Weighted average fair value ($)	2.11	1.71	1.12
Risk-free interest rate (%)	1.00	0.93	0.89
Expected life (years)	4.20	3.70	3.37
Dividend yield (%)	0.00	0.00	0.00
Volatility (%)	35.7	35.7	35.7

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

	2016		2015	
	# of SARs	Weighted average exercise price	# of SARs	Weighted average exercise price
Balance, beginning of year	391,900	$ 12.24	303,800	$ 14.97
Forfeited	(32,000)	13.85	(41,900)	14.47
Exercised	(12,000)	5.47	—	—
Granted	79,000	5.12	130,000	6.54
Balance, end of year	426,900	$ 10.99	391,900	$ 12.24

(In thousands of Canadian dollars, unless otherwise stated)

19. BANK INDEBTEDNESS AND LONG-TERM DEBT

On December 30, 2016, Big Rock signed a commitment letter to revise the Corporation's bank debt. The Corporation has a $5 million revolving operating loan facility and an $6 million 5-year term revolving loan facility. The revolving loan facility is available for general operating purposes and funding capital expenditure requirements as required. The $6 million 5-year term revolving loan facility is available to fund capital expenditures. Advances under the credit facilities may be made by way of Canadian prime rate loans and letters of credit. Interest is payable for prime-based loans under the revolving operating facility at the financial institution's prime rate plus 0.75 and on the term facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable. Both facilities mature after a term of 5 years and any undrawn amounts under the facility will expire on March 23, 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 covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month earnings before interest, taxes and depreciation, less an amount for maintenance capital compared to the rolling 12-months fixed charges. Fixed charges are the sum of interest, dividends and income taxes paid, and principal repayments. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. Big Rock was in compliance with its covenants at December 30, 2016.

As at December 30, 2016, bank indebtedness was $2,843, of which $2,435 was outstanding on the operating loan facility (December 30, 2015 - $1,247).

On July 9, 2015, Big Rock signed a commitment letter for a $2.5 million finance lease facility which is available to purchase certain 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 December 30	
	2016	2015
Term debt	$ 3,533	$ 1,850
Finance lease	2,500	2,039
Debt issue costs	(32)	—
	6,001	3,889
Current portion	(662)	(404)
Long term debt	$ 5,339	$ 3,485

20. LEASE INCENTIVE LIABILITY

At December 31, 2016, Big Rock had a lease incentive liability of $186 (2015 - $181) associated with the Corporation's building leases. Amortization is recorded on a straight line basis over the term of the leases and included in expenses.

21. 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.

(In thousands of Canadian dollars, unless otherwise stated)

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

	As at December 30	
	2016	2015
Less than 30 days	$ 3,900	$ 3,864
30 – 60 days	37	—
60 – 90 days	—	—
Over 90 days	—	6
Total accounts payable and accrued liabilities	$ 3,937	$ 3,870

22. 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.

23. 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 cost 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.

	As at December 30	
	2016	2015
Cash	$ (207)	$ (540)
Total debt	8,844	5,136
Shareholders' equity:		
Shareholders' capital	113,121	113,121
Contributed surplus	1,438	1,255
Accumulated deficit	(77,289)	(76,836)
Total shareholders' equity	37,270	37,540
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 45,907	$ 42,136

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management. Adjustments are made by considering changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the Big Rock 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 thousands of Canadian dollars, unless otherwise stated)

In addition, the Corporation monitors its capital using ratios of (i) earnings before interest, taxes, depreciation and amortization ("EBITDA") to net debt (debt less cash) 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.

24. FINANCIAL INSTRUMENTS

24.1 Fair value

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

Financial instruments recorded in the Consolidated Statements of Financial Position are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

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

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

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

24.2 Categories of financial instruments

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

Classification of Financial Instrument	**Designated as**	2016		2015	
		Carrying Amount ($)	**Fair Value Amount ($)**	**Carrying Amount ($)**	**Fair Value Amount ($)**
Financial assets					
Cash	—	207	207	540	540
Accounts receivable	Loans and receivables	1,294	1,294	2,221	2,221
Financial liabilities					
Bank indebtedness	Other financial liabilities	(2,843)	(2,843)	(1,247)	(1,247)
Accounts payable and accrued liabilities	Other financial liabilities	(3,937)	(3,937)	(3,870)	(3,870)
Income taxes payable	Other financial liabilities	(4)	(4)	(55)	(55)
Long term debt	Other financial liabilities	(6,001)	(6,033)	(3,889)	(3,889)
Dividends payable	Other financial liabilities	—	—	—	—
Share-based payments liabilities	Other financial liabilities	(336)	(336)	(134)	(134)

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

24.3 Financial risk management objectives and policies

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

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

(i) ***Foreign exchange risk***

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

Foreign currency sensitivity analysis
An increase or decrease in US currency foreign exchange of 3% percent would result in a change to net income (loss) for the year ended December 30, 2016 of $1 (2015 – $14).

(ii) ***Interest rate risk***

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

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

The weighted average interest rate incurred by the Corporation in the year ended December 30, 2016 was 5.82% (2015 – 5.23%).

Interest rate sensitivity analysis
In the event interest rates changed by 75 basis points, the Corporation's net loss for the year ended December 30, 2016 would be affected by $19 (2015 – $22). The sensitivity analysis assumes the change takes place at the beginning of the financial year and is held constant throughout the reporting period.

(iii) ***Credit risk***

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

(In thousands of Canadian dollars, unless otherwise stated)

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

(iv) *Liquidity risk*

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

Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Corporation's operations. The table presents a maturity analysis of the Corporations financial liabilities based on the expected cash flow from the reporting date to the contractual maturity date:

	Carrying Amount	Due within one year	Due in one to five years	Due greater than five years
Accounts payable and accrued liabilities	$ 3,937	$ 3,937	$ —	$ —
Bank indebtedness	2,843	2,843	—	—
Long term debt	6,001	662	2,308	3,031
Total contractual repayments	$ 12,781	$ 7,442	$ 2,308	$ 3,031

(v) *Commodity price risk*

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

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

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

On March 26, 2015, the Alberta government 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. Effective August 5, 2016, Alberta government replaced the graduated mark-up rate scheme with a flat mark-up rate of $1.25 per litre. At the same time, a grant program was introduced for Alberta breweries, who will receive a grant, on a decreasing sliding scale basis from $1.15 per litre to $nil per litre, on sales in Alberta over 150,000 hectolitres.

25. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management includes the Directors, the Chief Executive Officer and President, the Chief Financial Officer, the Vice President Operations and the Vice President Marketing. The remuneration is included in cost of sales and general and administrative expenses and is comprised as follows:

(In thousands of Canadian dollars, unless otherwise stated)

	Year ended December 30	
	2016	2015
Salaries and other short-term benefits	$ 1,040	$ 922
Bonuses	20	—
Share-based compensation	295	317
Total compensation	$ 1,355	$ 1,239

26. CHANGE IN NON-CASH WORKING CAPITAL

	Year ended December 30	
	2016	2015
Accounts payable and accrued liabilities	$ 67	$ 287
Current income taxes	(51)	2,296
Inventory	(209)	(1,092)
Accounts receivable	927	(748)
Prepaid expenses	145	38
Total change in non-cash working capital	$ 879	$ 781

27. 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: 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 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 the products and services sold directly to the end consumer through premises owned and 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.

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 "eliminations" column. All other adjustments and eliminations are part of detailed reconciliations presented below.

(In thousands of Canadian dollars, unless otherwise stated)

Profit by Segment

Year Ended December 30	Wholesale		Retail		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Net Revenue	$ 41,642	$ 38,348	$ 2,126	$ 1,701	$ (642)	$ (467)	$ 43,126	$ 39,582
Cost of sales	22,818	20,465	2,301	1,821	(642)	(467)	24,477	21,819
Gross profit	18,824	17,883	(175)	(120)	—	—	18,649	17,763
Selling expenses	12,603	13,153	44	34	—	—	12,647	13,187
Segment profit	**$ 6,221**	**$ 4,730**	**$ (219)**	**$ (154)**	**$ —**	**$ —**	**6,002**	**4,576**
General and administrative costs							5,720	5,212
Depreciation and amortization							548	376
Operating Loss							**(266)**	**(1,012)**
Finance expense							349	180
Other income							123	241
Loss before income taxes							**$ (492)**	**$ (951)**

28. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Big Rock has entered into various commitments for expenditures covering utilities, raw materials, marketing initiatives and leasing of facilities. The commitments for the next 5 years are as follows:

	2017	2018	2019	2020	2021	thereafter
Utilities contracts	$ 114	$ 77	$ —	$ —	$ —	$ —
Raw material purchase commitments	3,096	—	—	—	—	—
Marketing sponsorships	397	336	181	80	81	—
Operating leases	1,197	1,212	1,191	1,267	1,013	2,042
Total	**$ 4,804**	**$ 1,625**	**$ 1,372**	**$ 1,347**	**$ 1,094**	**$ 2,042**

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. Operating lease payments of $825 (2015 - $860) were recognized as expense in the Statement of Comprehensive Loss.

29. COMPARATIVE AMOUNTS

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

30. SUBSEQUENT EVENTS

Share-based payments: On January 23, 2017, 105,700 stock options were exercised for gross proceeds of $638. On January 29, 2017, the remaining 479,300 stock options were cancelled. On March 2, 2017 150,000 SARS were granted to officers, directors and employees at an exercise process of $6.21 and expiry date of March 2, 2022. The SAR's vest in increments of thirds, with the first tranche vesting immediately, and one-third on the first and second anniversary from the date of grant.

Undeveloped land sale: The Corporation executed a binding sales agreement on January 20, 2017 to sell a total of 3.6 acres of undeveloped land for gross proceeds of $2,538. The land will be sold in two parcels, with the first closing anticipated to be in late March 2017, and the second closing to follow 180 days thereafter. Pursuant to the sales agreement, Big Rock has committed to certain upgrades to the land that address municipal water management requirements. The purchaser is withholding approximately $400 of the gross proceeds, which will be released to Big Rock upon completion of these upgrades.

BiG ROCK

BREWERY

CORPORATE INFORMATION

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Chief Financial Officer
Trilogy Energy Trust
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Kathleen McNally-Leitch
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Chairman
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Jim Riddell
President & Chief Operating Officer
Paramount Resources Ltd.
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Tracie Noble
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