2011

"Three cheers for real beer!"

FINANCIAL HIGHLIGHTS

in thousands of Canadian dollars, unless otherwise noted	2011	2010
Sales volume (hl)	220,973	212,472
Net revenue	45,183	45,130
Net income (loss)	2,533	(8,198)
Earnings (loss) per share	0.42	(1.36)
Shareholders' equity	32,449	34,245

Annual Meeting of Shareholders

The annual meeting of the shareholders of Big Rock Brewery Inc. will be held at:

Big Rock Brewery
5555 - 76th Avenue S.E.
Calgary, Alberta, Canada
Thursday, May 17, 2012 at 2:00 pm (MST).

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It’s all about the beer

Paul Gautreau
Brewmaster and V.P. of Operations
enjoying the new Scottish Heavy Ale

The Brewmaster’s Message

Once again I am able to look back at 2011 and take pleasure in the success and accomplishments that will be added to Big Rock’s remarkable story. We realized significant financial success and attained production volumes we’ve never seen before.

What I am most proud of, however, are the steps we have taken to refocus on our craft beer roots. The brewery was an exciting place to be in 2011 with many new achievements and triumphs. We encourage an environment of novel ideas and inclusiveness. This is reflected by the optimism and enthusiasm that I see daily in the employees of the company.

The beer and the people have always been the key to the success of this company and to witness the positive evolution of these two is both satisfying and invigorating.

Back in 2010 we built a new pilot brewery that enabled us to carry out brewing trials to begin to formulate some of the beers that I have long envisioned.

In 2011 this program flourished as the “Brewmaster’s Series” and I am so thrilled to have been a part of introducing our version of these styles to the knowledgeable craft beer consumer.

Big Rock Brewery’s glockenspiel created by Ed McNally and Judd Palmer.

Our beers and ingredients have always been hailed as being both fresh and local. Now, unique and innovative can be added to those descriptors. The pilot brewery has produced beers from fruit, specialty, smoked and peated malts, as well as a variety of exotic imported hops. These fun, yet complex, creations have led to the successful launch of beers like Scottish Style Heavy Ale and our Dunkelweizen.

These new additions have turned the heads of local consumers and reminded the industry that we are a pioneer in the craft beer segment. The feedback has been tremendously supportive and exceptionally complimentary. It has again demonstrated that this company has the initiative, the personnel and the vision which have earned Big Rock respect in the brewing community.

I am approaching 2012 with anticipation. We have many new initiatives on the horizon and I am looking forward to implementing the type of programs that will contribute to and continue the positive growth that we see in this company. Big Rock will remain a leader in the craft beer community and our broad portfolio of products gives us the balance and variety to please the beer drinker from every demographic. If the upcoming year is as successful as 2011, Big Rock will continue to be highly respected as a brewer with a reputation for quality and innovation.

New open 6 pack specialty seasonal brews.

Our Beers Are the Definition of Craft

The Brewmaster's Series allows Big Rock to return to our roots. It is an exciting, innovative series of beers brewed with the imagination and direction of Brewmaster Paul Gautreau. This series enables us to build our portfolio of unique brews and reaffirm that Big Rock is truly a craft brewery.

The Brewmaster's Series brews start out in our state-of-the-art, German-engineered pilot brewery. At 20HL (30 kegs) it allows for our brewers to respond to market trends and stimulate new growth by producing brews on a smaller scale.

In July 2011, Big Rock released the first brew of the Brewmaster's Series, Magpie Rye Ale. Magpie is a unique ale full of rich flavour yet very light in body and won't overpower your palette. Some may remember Magpie from its initial release in the 1990's. Brewmaster Paul Gautreau thought, "Why not bring back an old favourite with the capability to make it even better?" There are subtle differences to Magpie that may not have been noticed the first time around. Paul took the original recipe and altered it, ultimately improving it for the 2011 limited release. Magpie was available in the marketplace for most of the summer (or until it was all gone), making room for the next release: Big Rock Scottish Style Heavy Ale.

'A Kilty Pleasure' of the 2011 series, Scottish Heavy was the second brew released into the marketplace in October. With its rich malt flavour, complimented by just a hint of peat and aged on oak, Scottish Heavy will continue to reveal itself, offering hints of toffee and vanilla. Brewmaster Paul Gautreau describes this brew as a "complex beast of a beer." This 7% full bodied, heavy beer created such a demand in the marketplace that we couldn't keep it on the shelves. Scottish Heavy was available through to the end of 2011, eventually making room for the third brew of the series, Dunkelweizen.

Big Rock proudly introduced the newest addition to the Brewmaster's Series in January 2012, Dunkelweizen Dark Wheat Ale. Gautreau wanted to create a brew with the richness and character of a dark Bavarian wheat beer. This unique masterpiece has a wide spectrum of flavours and aromas varying from chocolate, coffee, vanilla and a few other surprises lurking in the background. Dunkelweizen is a smooth, easy drinking brew; you may even call it "a mouthful."

The Brewmaster's Series releases its brews on a seasonal basis in six-pack bottles and in draught. It is an ongoing program that Big Rock is proud and excited to offer. Like all of our beers, each brew in this series is made solely with choice malts, select hops, rocky mountain water and our own special yeast – all natural ingredients with no preservatives or additives. Each beer is handcrafted making Big Rock beers 'The True Definition of Craft'.

Magpie Rye Ale

Every Brew Tells a Story

Big Rock's New Dress Code

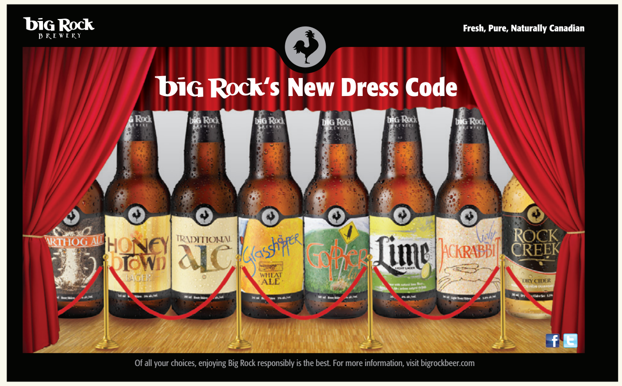
In March 2011, Big Rock unveiled its 'new dress code'. The redesign of all products was the final piece in commemorating Big Rock's 25th anniversary. This new look emphasizes Big Rock's artistic origins and signifies our handcrafted quality products.

Calgary artist and calligrapher Dirk Van Wyk, who hand-painted the artwork for Big Rock's original three brews (Traditional, Bitter and Porter), returned in 2011 to handcraft Big Rock's new look. Using his original artwork, Dirk created a new uniform look which denotes the quality and craftsmanship of our pure malt beers.

Every label is prominently displayed on all bottles and cans framed by a distinctive black background. Big Rock's signature brands, IPA, McNally's Extra and Black Amber, are now showcased in an open six-pack carrier with foil tops.

Big Rock has always been very passionate about the community. When the new packaging was being designed, it was important that the new look signified Big Rock's dedication to being part of well-rounded, thriving communities. This wouldn't be possible without the support for the arts.

IPA 6 pack bottles in the new open carrier with foil tops. Traditional Ale 12 pack bottles - new look.



Big Rock unveils its new dress code in March 2011

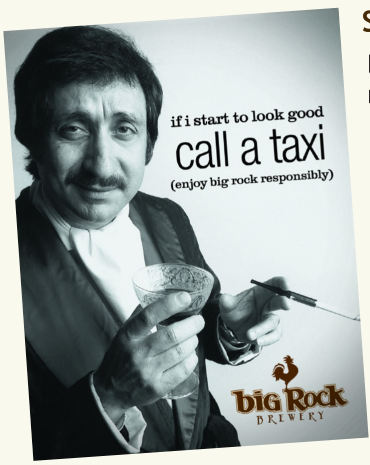
Grasshopper Wheat Ale Wins Again

Grasshopper Wheat Ale took home the silver medal in the North American Style - Wheat Beer category at the 2011 Canadian Brewing Awards. This is Grasshopper's third national medal in the last five years proving that it is a consistent winner and continues to be favoured by beer drinkers.

Grasshopper was introduced in 1994 and has become one of Big Rock's flagship brands. Ed McNally, Founder and CEO, realized that Alberta was home to some of the world's best wheat and it wasn't long before Big Rock's first wheat beer was created. Grasshopper was quickly established itself as one of Canada's best wheat beers.

Find a Big Rock

In April 2011, Big Rock launched the redesign of its website. With exciting features such as 'Beer Goggles' (a beer finder application that helps people locate a Big Rock beer), booking a tour online and a step-by-step guide explaining in detail how we make our beer. This new site is user-friendly enabling our customers to easily navigate and explore all Big Rock has to offer as well as an increased connection to social media in order to keep Big Rock truly connected with its fans.



2011 Eddies "Enjoy Big Rock Responsibly" Print Ad Winner

Social Responsibility

Enjoying Big Rock products responsibly and safely is important to everyone at Big Rock. Every year Big Rock joins forces with the Calgary Police and Associated Cabs to put a stop to drinking and driving. The responsibility campaign is in place to remind people to call a taxi and get home safe during the cheerful holiday season.

Continues to be great!

Big Rock has created a work environment that is energetic and fun for its employees, keeping them both enthusiastic and engaged.

For the third straight year, Big Rock was chosen as one of Alberta's Top 55 Employers. With over 15 employees celebrating their 10th, 15th or 25th anniversary at the Brewery in 2011, Big Rock continues to be a great place to work.

President Bill McKenzie celebrating Paul Gautreau's 25th year

Big Rock Eddies

The 18th annual Big Rock Eddies was the beer event of the season. Over $20,000 in cash prizes were awarded to the top directors and artists in host cities Calgary and Edmonton. Big Rock was proud to introduce a new winning opportunity in the print category: "Enjoy Big Rock Responsibly." The Eddies provide us with a great source of talent to get that message out.

Aside from helping to launch the careers of future artists, the Eddies also continue Big Rock's strong tradition of giving back to the community.

Mark Cromwell, 1st Place Print Ad Winner, 3rd Place Video Winner

Eddies fans enjoying 18th annual Eddies awards in Calgary

CHAIRMAN'S & PRESIDENT'S MESSAGE

Looking back at 2011, we can't help but be proud of how Big Rock continues to be ahead of its time in terms of the beer we make, the people we work with and the overall strength of our culture. Here is why we feel this way:

Craft beer brands continue to be the quickest growing segment of the beer industry, both within Canada and throughout North America. Consumers are demanding choice and brewers need to deliver innovative brands with unique flavours, styles and packaging. Customers who sell beer through their pubs, restaurants and retail stores are also looking for suppliers who bring them unique brands that create excitement for their businesses. Regardless of who is buying the beer or selling the beer, the common theme remains that high quality beer generates repeat purchases and Big Rock produces beer of the highest quality - and always will. Ed McNally's belief that "To create a masterpiece no compromise can be tolerated" is alive and well and Big Rock's newly-created seasonal innovation program is proof that this mandate has endured. New brands such as Scottish Style Heavy Ale and Dunkelweizen have been very well received by consumers, customers, and beer critics alike, while showcasing how Big Rock is driving innovation within the Canadian craft beer industry.

Throughout every department, we are fortunate to have employees who simply make it fun to come to work every day. Don't get us wrong, we all work hard (very hard actually) but this group of passionate craft beer professionals not only get the job done better than anyone else in the industry, they make Big Rock great in so many other ways. Through volunteering to host many brewery functions as well as activities throughout their communities, it is very tough to go anywhere in western Canada without running into someone who has had a very positive experience meeting someone from Big Rock. Big Rock is unique in that we are a big enough company to make an impact in a very competitive marketplace, yet we can still operate as a small family business where everybody pitches in to always do the right thing. When we check in with our employees and ask how things are going, they tell us how proud they are to work for Big Rock. It just doesn't get any better than that!

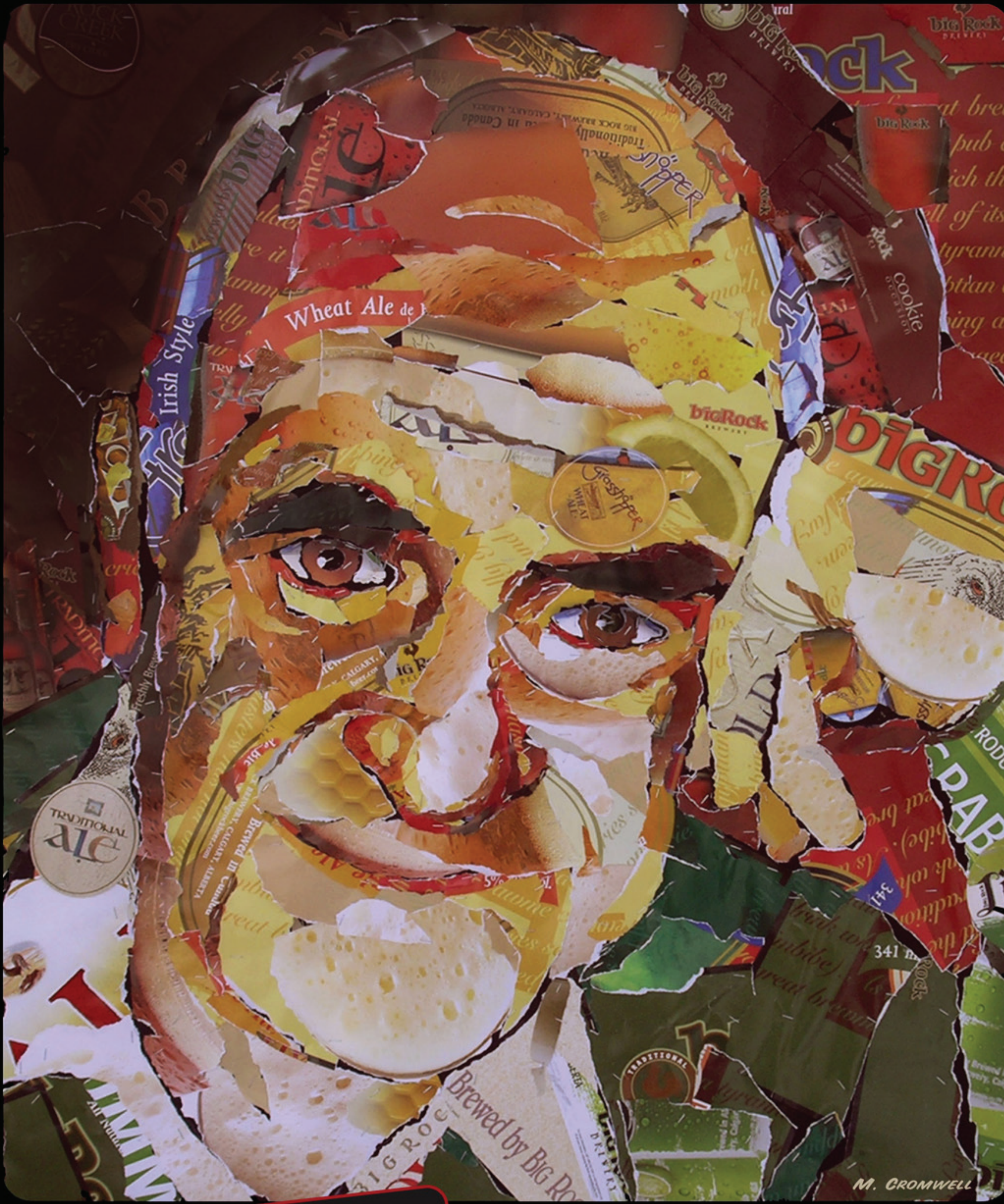
Our culture has never been stronger. We say this because in 2011 we had a less than impressive start to the year: volume was down and profits weren't great, competitive pricing was very aggressive and, for the first time in a few years, we were not performing as we expected. It was at this point that we learned how strong our culture really was. Every department was asked to help out by coming up with ways to sell more beer while managing costs, all without compromising a thing. We needed to grow the business in a market that was declining in both revenue and volume. We did it! We turned things around and grew our annual volume to our highest level ever. We listened to our customers and consumers and delivered effective programming that drove profitable volume throughout our portfolio. Our focus on western Canada allowed us to regain distribution points which in turn helped us increase awareness and volume throughout BC and Alberta. Through our many community partners we were able to showcase our core brands as well as our new seasonal brews at community events throughout the year. Basically, our culture wouldn't allow us to fail and the way things turned around shows how passionate we are.

2011 was a very important year for Big Rock and we are all very excited to continue building our future through great brands, great people and a unique and strong corporate culture. We have plenty of great activities planned for 2012 so we look forward to continued success.

Cheers,

Ed E. McNally
Chief Executive Officer

Bill McKenzie
President


M. CROMWELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The MD&A is dated March 20, 2012.
$ thousands (unless otherwise stated)

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, 2011, as compared to the year ended December 31, 2010.

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, 2011 and December 31, 2010 (the "Financial Statements"), which have been prepared using International Financial Reporting Standards for publicly accountable enterprises as adopted by the Canadian Accounting Standards Board ("IFRS"). All amounts are reported in thousands of Canadian dollars and comparative figures have been restated using IFRS, unless otherwise noted.

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

The MD&A is dated March 20, 2012.

BASIS OF PRESENTATION AND TRANSITION TO IFRS

On January 1, 2011, Big Rock adopted IFRS for Canadian publicly accountable enterprises. Prior to the adoption of IFRS, the Corporation followed Canadian Generally Accepted Accounting Principles ("GAAP") – Part V ("Pre-Changeover Canadian GAAP"). While IFRS has many similarities to Pre-Changeover Canadian GAAP, some of Big Rock's accounting policies have changed as a result of its transition to IFRS. The most significant accounting policy changes that have had an impact on the results of operations are discussed within the applicable sections of this MD&A, and in more detail in the Accounting Changes section of this MD&A.

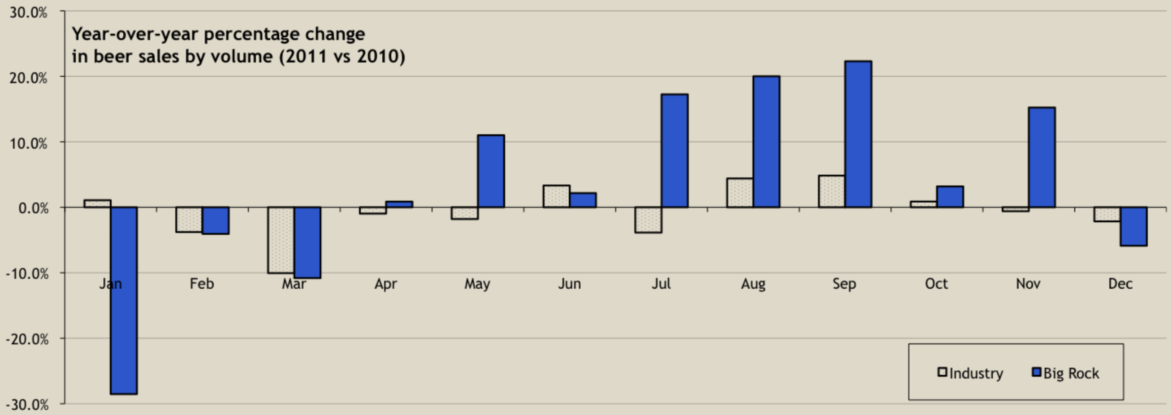
CORPORATE PROFILE

Big Rock Brewery - headquartered in Calgary, Alberta - produces premium, all-natural craft beers. As Canada's leading craft brewer, Big Rock boasts a family of twelve ales and lagers, Rock Creek dry apple cider, as well as an ongoing selection of seasonal 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 Ontario and an agency arrangement for product sales in the Atlantic Provinces. Big Rock products are sold in nine provinces and three territories in Canada and its products are exported to Korea and to Canadian Embassies throughout the world.

INDUSTRY TRENDS AND INDICATORS

The graph below illustrates the change in monthly sales volumes for January through December 2011 compared to 2010 for both Big Rock and the Canadian beer industry.



Source: Brewers Association of Canada, Domestic Sales Bulletin -February 2012

For the year ended December 30, 2011, Big Rock's sales volumes increased 4.0% while the Canadian industry beer sales decreased 0.5% for the same period.

Management believes the general trends in Big Rock's and the industry's performances are attributable to various factors, including:

- general economic uncertainty, causing an increase in the cost of producers' goods and a reduction in consumers' disposable income and a shift towards the value-priced category; and
- concurrently, growth in the craft beer segment, driven by knowledgeable consumers demanding a wide variety of high-quality beers.

SELECTED ANNUAL FINANCIAL INFORMATION

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

	Year ended		
	Dec. 30 2011	Dec. 31 2010	Dec. 31 2009 (1)
Statements of comprehensive income data			
Net sales revenue	45,183	45,130	46,232
Operating profit	3,343	4,133	6,836
Net income (loss)	2,533	(8,198)	7,429
Earnings per share (basic and diluted)	$ 0.42	$ (1.36)	$ 1.23
Dividends per share	$ 0.80	$ 1.20	$ 1.12
Statements of financial position data			
Total assets	45,170	45,787	36,365
Total long-term debt	1,983	2,683	3,557

(1) *Amounts for 2009 are presented in accordance with Pre-Changeover Canadian GAAP*

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volumes (hl)	48,961	69,540	60,479	41,993	47,315	58,151	57,832	49,174
Net sales revenue	10,023	14,019	12,339	8,802	9,880	12,234	12,471	10,545
Operating profit	1,140	1,434	776	(7)	(345)	1,829	1,405	1,244
Net income (loss)	856	1,084	619	(26)	270	1,855	2,670	(12,990)
Earnings per share (basic and diluted)	$ 0.14	$ 0.18	$ 0.10	$ 0.00	$ 0.04	$ 0.31	$ 0.45	$ (2.16)
Dividends per share	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.30	$ 0.30	$ 0.30	$ 0.30

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

RESULTS OF OPERATIONS

Sales volumes increased three percent for the three months ended December 30, 2011 and four percent for the year ended December 30, 2011 as compared to the same periods for 2010. Big Rock's consolidated net income for the year ended December 30, 2011 was $2,533 compared to a loss of $8,198 in 2010. The 2010 loss resulted from the requirement under IFRS to record changes in fair value of the units under the income trust structure which existed throughout 2010. Excluding the $10,756 loss on fair value of the units and related options, and the $2,414 finance charges relating to distributions while the trust's units were considered to be debt, the net income for 2010 would have been $4,972. The decline in earnings compared to last year was a result of several factors: higher tax expense for the corporate entity in 2011 versus the income trust structure in 2010, increased cost of transportation and lower net sales revenue per hectolitre attributed to a change in product mix.

The 2010 net loss included a charge for fair value losses relating to the trust units of $10,686 and trust unit options of $70 while Big Rock was an income trust, and charges of $2,414 relating to distributions paid to unitholders, which IFRS considered a finance cost, for which no similar amounts were recorded in the year ended December 30, 2011.

Management believes operating profit to be a more meaningful comparison to assess the Corporation's performance. For the quarter ended December 30, 2011, operating profit totalled $1,140 compared to a loss of $345 for the same period last year. The loss in the prior year resulted from the timing of absorption of costs into inventory and higher general and administrative costs associated with the conversion from income trust to a corporation. For the year ended December 30, 2011, operating profit decreased to $3,343 from $4,133, driven by lower net sales revenue per hectolitre due to a higher proportion of value-priced beer in the product mix, combined with higher distribution costs as discussed later in this MD&A.

Gross Profit

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Net sales revenue	10,023	9,880	143	45,183	45,130	53
Cost of sales:						
Ingredients and packaging materials	2,482	2,783	(301)	11,985	11,534	451
Labour	985	872	113	4,067	4,088	(21)
Overhead	654	690	(36)	2,905	2,816	89
Inventory movement	(123)	225	(348)	(385)	(484)	99
Depreciation	275	833	(558)	2,813	2,781	32
Cost of sales	4,273	5,403	(1,130)	21,385	20,735	650
Gross profit	5,750	4,477	1,273	23,798	24,395	(597)
Sales volumes (hl)	48,961	47,315	1,646	220,973	212,472	8,501

Net sales revenue includes product (beer and cider) sales. In the prior year, Big Rock also earned revenue from a co-packaging contract which expired in May 2010. As noted earlier, Big Rock experiences seasonal fluctuations in sales volumes, net sales revenue and net earnings with the second and third quarters typically being the highest and the first and fourth quarters being the lowest. These seasonal variations are dependent on numerous factors, including: weather, historical consumer behaviour, and a cultural association of beer with outdoor activities and sporting events.

For the three months ended December 30, 2011, net sales revenue increased $143 compared to the same period of 2010. The increase was primarily attributable to higher sales volumes, which increased three percent to 48,961 hl from 47,315 hl. Sales volumes for the full year ended December 30, 2011 were 220,973, a four percent increase over the 212,472 hl from 2010. The volume growth occurred predominantly in the value-priced segment, which was fuelled by growth in retail channels; however, there was also moderate growth in premium flagship brands as well as in signature brands, including the new innovation brands of the Brewmaster's Series. Net sales revenue of $45,183 for the year was $53 higher than 2010 revenue of $45,130, which included $288 from co-packaging. Revenue has not increased to the same extent as sales volumes, as the higher proportion of value-priced product has resulted in a decline in overall revenue per hl.

Management believes the improvement in the fourth quarter sales volumes and gross profit is the result of continued focus on both top line growth and cost containment. In addition, innovation through Big Rock's "la-beer-atory", including the Brewmaster's Series of beer, has begun to contribute to sales growth and continues to be a key element of Big Rock's future growth strategy. The la-beer-atory was launched earlier in the second quarter and has been well received by customers in both retail and on-premise channels. The fourth quarter offering of the series, Scottish Style Heavy Ale, showed strong sales and received positive consumer feedback.

Geographically, Alberta and British Columbia continued to lead the growth in sales volumes, consistent with management's focus on the western provinces. Increased "packaged" sales volumes were driven primarily by new retail distribution agreements, particularly in Alberta, some of which were enabled by Big Rock's value-priced brands with future growth potential for core brands.

For the three months and year ended December 30, 2011, total cost of sales decreased by $1,130 and increased $650, respectively, compared to the same periods last year, as described below:

- For the quarter ended December 30, 2011, costs relating to ingredients and packaging materials decreased $301 due to the impact of an annual rebate from a major packaging supplier. For the year ended December 30, 2011, costs relating to ingredients and packaging materials increased $451 compared to the same period in 2010, primarily due to higher production volumes.

- Big Rock's labour costs relating to production are primarily fixed in nature. When compared to the same periods in 2010, labour charges for the fourth quarter increased $113, due primarily to the effect of fourth quarter results on the Corporation's incentive program and increased overtime, while for the year ended December 30, 2011, labour costs decreased by $21, primarily as a result of lower headcount. This decrease was partially offset by higher salary costs as a result of annual increases and benefit costs.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs at December 30, 2011 decreased by $36 compared to the three months ended December 31, 2010. For the full year, overhead costs were higher by $89, due primarily to higher surcharges on waste water.

- Inventory movement is a timing difference relating to the absorption of production costs into finished goods inventory on the statement of financial position, and the eventual charge to earnings for those costs as finished goods inventory is sold. For the three months ended December 30, 2011, charges relating to inventory movement decreased by $348 compared with the same period last year, due to the build-up of inventory in advance of the December plant shut down to upgrade the filter room floor. The full year change was a decreased inventory movement of $99 as a result of the timing of labour absorption.

On a per hectolitre basis, cost of sales decreased by $26.92 per hl (23.6%) for the three months ended December 30, 2011, due primarily to the reduced ingredients and packaging costs, lower inventory movement and depreciation charges. For the twelve months ended December 30, 2011, cost of sales decreased by $0.80 per hectolitre (0.8%) due primarily to reduced labour costs per hl as a result of higher production volumes with lower headcount.

Per Hectolitre Cost of Sales

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Cost of sales:						
Ingredients and packaging materials	50.68	58.81	(8.13)	54.24	54.28	(0.04)
Labour	20.12	18.43	1.69	18.40	19.24	(0.84)
Overhead	13.36	14.58	(1.22)	13.15	13.25	(0.10)
Inventory movement	(2.51)	4.76	(7.27)	(1.74)	(2.28)	0.54
Depreciation	5.62	17.61	(11.99)	12.73	13.09	(0.36)
Cost of sales	87.27	114.19	(26.92)	96.78	97.58	(0.80)

Selling Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Selling:						
Delivery and distribution	966	933	33	4,378	3,878	500
Salaries and benefits	781	829	(48)	3,808	3,714	94
Promotional materials	947	874	73	4,280	4,080	200
Community sponsorship and other	799	619	180	3,369	3,543	(174)
Total selling expenses	3,493	3,255	238	15,835	15,215	620

For the three months ended December 30, 2011, selling expenses increased by $238 compared with the same period last year. For the year ended December 30, 2011, selling expenses increased by $620 compared to the same period last year. These changes are detailed as follows:

- Delivery and distribution costs increased primarily as a result of higher volumes delivered for both the quarter and the full year compared to 2010. Delivery costs also reflect the impact of an increase in fuel surcharges as well as a higher proportion of sales volumes in northern Alberta.

- Salaries and benefit costs decreased by $48 for the quarter due primarily to lower headcount. For the year ended December 30, 2011, salaries and benefit costs increased $94 as compared to the prior year, due mainly to annual salary increases and benefit costs.

- Promotional materials increased over 2010 for both for the quarter and the year primarily as a result of sales programs which were utilized to increase sales volumes and revenue.

- Community sponsorship and other decreased by $174 for the year ended December 30, 2011 as a result of lower charges for artwork and design, reduced travel expenses by the sales staff and the receipt of government grants relating to the haybale and new packaging programs, for which no similar amounts were received in 2010. The increase in the quarter is due to timing of the receipt of government grants, whereby expenses were incurred in the fourth quarter of 2011 but related grant funds were not received until early 2012.

General and Administrative Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
General and administrative:						
Salaries and benefits	463	701	(238)	2,134	2,329	(195)
Professional fees	191	411	(220)	675	1,066	(391)
Building maintenance and taxes	155	133	22	596	485	111
Office, administrative and other	152	147	5	491	513	(22)
Reporting and filing fees	26	44	(18)	159	135	24
Insurance	47	55	(8)	171	195	(24)
Bank charges	3	13	(10)	55	52	3
Total general and administrative expenses	1,037	1,504	(467)	4,281	4,775	(494)

For the three months and year ended December 30, 2011, general and administrative expenses decreased by $467 and $494, respectively, compared with the same periods last year as detailed below:

- Salaries and benefit costs decreased for the three months and year ended December 30, 2011 by $238 and $195, respectively, due primarily to lower headcount. The current quarter was also impacted by the timing of adjustments to the annual incentive program compared to the same period in 2010.

- Professional fees, which include legal, audit, tax and accounting advisory services, decreased by $220 and $391 for the three months and full year, respectively, as a result of 2010 comparative amounts that included charges relating to work performed on Big Rock's corporate conversion and consulting fees associated with the transition to IFRS.

- Building maintenance and taxes increased primarily as a result of higher 2011 business and property taxes for both the three months and year ended December 30, 2011 compared to the same periods last year.

- Office, administration and other, which include IT related amounts, memberships, dues and licenses, travel and automotive costs, and corporate hospitality, increased slightly for the three months but decreased by $22 for the full year ended December 30, 2011. Reduced corporate hospitality spending was the biggest contributor to the year over year decline.

- Reporting and filing fees declined by $18 for the three months ended December 30, 2011 compared to the same period last year, which included one-time fees associated with the Special Meeting of unitholders regarding Big Rock's conversion to a corporation. On a full year basis, report and filing fees increased by $24 as a result of higher listing fees charged by the TSX following the corporate conversion on January 1, 2011.

- In 2011, both the fourth quarter and full year insurance costs were slightly lower than for the comparative periods in 2010, which included premiums for an insurance bond required for co-packaging services that was not renewed in 2011.

- When compared to the same periods last year, bank charges were consistent for the full year, but lower by $10 for the three months ended December 30, 2011 due to timing of expenses.

Depreciation and Amortization

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Depreciation included in cost of sales	275	833	(558)	2,813	2,781	32
Depreciation - other	81	44	37	260	196	64
Amortization	(1)	19	(20)	79	76	3
Total	355	896	(541)	3,152	3,053	99

Upon transition to IFRS, an entity has the elective option to reset the cost of its Property, Plant and Equipment ("PP&E") based on fair value in accordance with the provisions of IFRS 1, and to use either the cost model or the revaluation model to measure its PP&E subsequent to transition. For the majority of its PP&E, Big Rock has elected to reset the cost based on fair values. Thereafter, Big Rock will use the cost model for all reporting periods.

The Corporation secured the services of an independent appraiser to complete valuations of its land and buildings. The appraisals utilized industry standards and accepted valuation methodologies which included the Cost Approach (for certain assets), the Income Approach and the Direct Comparison Approach to determine fair values. As at January 1, 2010, management applied the IFRS 1 election to deem the carrying value of its land and buildings at their fair values as estimated by each appraisal, with primary reliance based on the Direct Comparison Approach. This approach used recent market comparables/transactions from the local markets. Values were then adjusted for specific conditions relating to the corporation's land and buildings, including square footage, wear and tear and physical access.

In addition, the Corporation secured the services of an additional independent appraiser to complete valuations of its brewing assets and other property, plant and equipment. As at January 1, 2010, management applied the IFRS 1 election to deem the carrying value of its brewing assets and other PP&E at their fair values as estimated by the appraisal, with primary reliance based on the Cost Approach. The Cost Approach establishes a fair value based on the current "new" cost of reproducing or replacing the assets less depreciation from physical deterioration.

In estimating fair value, it was assumed the assets were in the same condition on the date the valuation work was performed as on the valuation date, January 1, 2010, except for normal wear and tear. In addition, no consideration was given to environmental matters. Environmental matters, if any, are discussed under Provisions.

The Cost Approach generally provides a meaningful indication of the fair value for specialized systems and customized machinery and equipment as these items do not routinely trade in the used equipment market. While the universe of market transactions is very small, it is not non-existent. In the rare circumstance in which market transactions for similar assets are observed these assets are generally transacted on a liquidation basis and accordingly were not appropriate for use in our analysis.

Under Pre-Changeover Canadian GAAP, Big Rock included software, naming rights and website costs with other PP&E, which were recorded at historical cost less amortization. Under IFRS, these assets are considered intangible assets.

The above adjustments were effective upon Big Rock's transition to IFRS on January 1, 2010, and do not impact the comparative amounts; however depreciation and amortization charges are determined on the reset costs.

For the three months ended December 30, 2011, depreciation expense included in cost of sales decreased by $558 compared to the three months ended December 31, 2010 due to timing of a true-up of component calculations. Depreciation increased by $32 for the full year, primarily due to the purchase of operations-related plant and equipment.

For the three months and year ended December 30, 2011, other depreciation charges increased by $37 and $64, respectively, compared with the three months ended December 31, 2010 due mainly to additions to vehicles during the year and a revised estimate in their useful life. Amortization expenses decreased by $20 for the three months ended December 30, 2011, compared with the three months ended December 31, 2010 as a result of timing of a true-up. These costs increased by $3 for the full year compared to 2010.

Finance Costs

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Interest on long-term debt	31	37	(6)	131	141	(10)
Interest on operating facility	1	(1)	2	10	3	7
Distributions to shareholders	—	—	—	—	2,414	(2,414)
Total finance costs	32	36	(4)	141	2,558	(2,417)
Weighted average effective interest rate	4.30%	4.33%		4.26%	4.01%	

The principal amount of long-term debt and bank indebtedness was $2,683 as at December 30, 2011 compared to $3,383 as at December 31, 2010. The interest rates applicable to all loans and borrowings are based on the lender's prime rate. The increase in interest expense on the operating facility for the three months and year ended December 30, 2011 compared to the three months ended December 31, 2010 primarily reflects an increase in the prime rate. Principal repayments on the long-term debt began in November 2010. The lower average borrowings reduced interest costs on that debt by $6 and $10, respectively, for the three months and year ended December 30, 2011, compared to the same periods in 2010.

Under Pre-Changeover Canadian GAAP, Big Rock's trust units were recorded as equity with distributions to shareholders recorded as a reduction in equity. However, IFRS 2 *Share-based Payments* and IAS 32 *Financial Instruments: Presentation* classified Big Rock trust units as a financial liability until May 2010 (see discussion later in this MD&A). Accordingly, IFRS considers distributions paid to shareholders during the first four months of 2010 to be a finance cost. Subsequent distribution payments were considered an equity transaction.

Other

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Other income	111	120	(9)	452	433	19
Other expenses	49	45	4	164	108	56
Fair value gain (loss) on trust units liability	—	—	—	—	(10,686)	10,686
Fair value gain (loss) on share based payments liability	—	81	(81)	—	(70)	70

Other income includes restaurant royalties, miscellaneous income (primarily from the sale of spent grains and rental of yard space), gains or losses on asset disposals and net revenue from tours, hospitality, and the dry goods store. The decrease for the three months ended December 30, 2011 is related primarily to lower volume of tours and lectures, increased losses on minor asset disposals and lower miscellaneous income. For the full year, other income is higher by $19 due mainly to increased store sales partially offset by lower miscellaneous income.

Other expenses remained relatively constant for the three months ended December 30, 2011, but increased by $56 for the full year, due to higher costs associated with store merchandise.

Under Pre-Changeover Canadian GAAP, Big Rock's trust units were recorded as equity. However, IFRS 2 *Share-based Payments* and IAS 32 *Financial Instruments: Presentation* classify the units as a financial liability on the statement of financial position. Financial liabilities are recorded at fair value at each reporting date, with changes in fair value flowing through the statement of comprehensive income.

Following a shareholder approved change to the trust indenture in May 2010, an exception under IAS 32 allowed the trust units to be re-characterized as equity, and removed the fair value requirement. The $10,686 charge represents the change in fair value of the units from January 1, 2010 to May 19, 2010.

Similarly, under Pre-Changeover Canadian GAAP, stock options were considered equity and reported as contributed surplus at the historical fair values at the date of each grant, less any amounts reclassified to share capital upon exercise. Under IFRS, the outstanding and exercisable stock options, for the 2010 comparative periods during which Big Rock was an income trust, are considered a liability. Accordingly, under IFRS the options were recorded at their fair value at each reporting date, with changes in fair value flowing through the statement of comprehensive income. The $70 charge represents the change in fair value of the options from January 1, 2010 to December 31, 2010. The amount reported for the fourth quarter of 2010 was a gain of $81.

The IAS 32 exemption noted above does not apply to Big Rock's stock options, which retained their financial liability status for IFRS throughout 2010. Following Big Rock's conversion to a corporation on January 1, 2011, the options were re-characterized as equity.

Income Taxes

	Three months ended			Twelve months ended		
	Dec. 30 2011	Dec. 31 2010	Change	Dec. 30 2011	Dec. 31 2010	Change
Deferred income tax expense (recovery)	314	(492)	806	957	(658)	1,615

During the three months and year ended December 30, 2011, the Corporation recorded deferred income tax charges of $314 and $957, respectively, compared to deferred income tax recovery of $492 and $658, respectively, for the three months ended December 31, 2010. The increases in expense are primarily due to the impact of a change in corporate structure, which occurred on January 1, 2011 when Big Rock converted from an income trust to a dividend paying corporation. Prior to this change, distributions paid to shareholders were deductible in determining taxable income, whereas 2011 dividends are not.

The deferred income tax provision differs from the statutory rate of 26.64% (2010 - 28.26%) due to permanent timing differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for income tax purpose, as well as the effect of non-deductible amounts.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Balance Sheets from December 31, 2010 to December 30, 2011:

	Increase/ (Decrease)	Primary factors explaining change
Property, plant and equipment	(1,721)	Depreciation charge, net of asset additions
Intangible assets	(79)	Amortization charge
Inventories	478	Build-up due to planned shut-down at year end
Accounts receivable	999	Increased sales volumes during the fourth quarter of 2011 compared to the fourth quarter of 2010. Timing of cash receipts
Prepaid expenses and other	(180)	Timing of insurance, property tax and other similar charges
Long-term debt	(700)	Regular repayments of term loan
Deferred income taxes	957	Change to corporate structure from income trust
Accounts payable and accrued liabilities	647	Higher supplier payables relating to increased production and inventory build-up
Dividends payable	606	Change from monthly to quarterly dividends and lower dividend per share

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

	Dec. 30 2011	Dec. 31 2010
Bank indebtedness (cash)	(655)	(769)
Total debt	2,683	3,383
Shareholders' equity:		
Shareholders' capital	99,954	99,954
Contributed surplus	517	—
Accumulated deficit	(68,022)	(65,709)
Total shareholders' equity	32,449	34,245
Total capitalization (total debt plus shareholders' equity, net of cash balances)	34,477	36,859
Total debt to capitalization ratio	7.8%	9.2%

Capital Strategy

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

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

In addition, the Corporation monitors its capital using ratios of (i) debt to total capitalization, (ii) working capital, and (iii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Debt to total capitalization is calculated as long-term debt, including current portion, plus bank indebtedness, divided by total capital. Working capital is calculated as current assets divided by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. Both working capital and EBITDA to long-term debt are used for compliance with debt covenants. See "Financing Activities" for a reconciliation of EBITDA to net income (loss), which is the most similar IFRS measure.

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

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities, which are discussed later in this MD&A, and must be met at each reporting date. At December 30, 2011 and December 31, 2010, Big Rock was in compliance with all of its debt covenants.

Shareholders' Capital

	# of Shares	$ Amount
As at December 31, 2010 and December 30, 2011	6,057,678	99,954

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

The Corporation's shares trade on the Toronto Stock Exchange under the symbol BR. As at March 20, 2012 there were 6,057,678 issued and outstanding shares and the closing price was $14.00 per share. Based upon 6,057,678 issued shares, the Corporation has an approximate market capitalization of $84.8 million.

Share Based Compensation Plan

The Corporation uses the fair value method of accounting for awards granted under its stock option plan. On March 26, 2011, the Corporation granted 58,000 (2010 – nil) stock options to officers, employees and directors at an exercise price of $16.60 with an expiry date of March 22, 2016. On August 4, 2011, 50,500 (2010 – 120,000) stock options were granted by the Corporation to officers, employees and directors at an exercise price of $11.88 with an expiry date of August 4, 2016 and on December 5, 2011, the Corporation granted 14,000 (2010 – nil) stock options to officers, employees and directors at an exercise price of $12.49 with an expiry date of December 5, 2016. The weighted average fair value of each grant was estimated at the grant date using the Black-Scholes option pricing model.

The weighted average fair value estimates and related assumptions used for the calculation were:

	December 2011	August 2011	March 2011	August 2010	October 2007	February 2007
Weighted average fair value per option	1.44	1.03	1.95	1.15	1.85	1.24
Risk-free interest rate (%)	1.17	1.48	2.30	1.80	5.00	3.97
Expected life of the options (years)	4	4	4	4	2	2
Dividend rate (%)	6.43	6.73	4.80	7.10	8.00	10.22
Volatility in the price of the Corporation's shares (%)	28.5	23.4	23.5	22.0	27.0	25.6

For the three months ended December 30, 2011, $20 (2010 – $nil) of share-based compensation was recognized in the statement of comprehensive income. For the year ended December 30, 2011, share-based compensation charges of $186 (2010 - $176) were recognized in the statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

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

	2011		2010	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Balance, beginning of year	262,000	$ 15.84	385,600	$ 17.10
Expired	(30,500)	$ 16.62	(200,600)	$ 18.56
Exercised	—	—	(43,000)	$ 15.26
Issued	122,500	$ 14.18	120,000	$ 17.00
Balance, end of year	354,000	$ 15.50	262,000	$ 15.84

The following table summarizes information about stock options outstanding and exercisable at December 30, 2011:

Exercise Price	# of Options Outstanding at December 30, 2011	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	# of Options Exercisable at December 30, 2011
$11.88 to $15.25	64,500	4.67	$ 12.01	64,500
$15.26 to $17.71	269,500	2.21	$ 16.17	269,500
$17.72	20,000	0.75	$ 17.72	20,000
Balance, December 30	354,000	2.58	$ 15.50	354,000

As at March 20, 2012, there were a total of 237,000 share options outstanding and 272,300 stock appreciation rights.

As at December 30, 2011, 227,000 SARs were outstanding (2010 – 447,250). During the year ended December 30, 2011, no SARs were issued (2010 – nil), no SARs were exercised (2010 – 15,000) and 220,250 SARs were expired (2010 – 187,000). Expired SARs related to individuals no longer employed with Big Rock or to rights which were not exercised within the five year life. As at December 30, 2011, the trading price of the Corporation shares was less than the exercise price of the majority of the SARs, resulting in no liability being recorded in the financial statements (2010 - $nil).

Cash Flows

Cash Provided by Operating Activities

Cash provided by operating activities for the three months ended December 30, 2011 totalled $191, a decrease of $770 compared to the same period last year, due to the negative impact of non-cash working capital in excess of higher income. For the year ended December 30, 2011 cash provided by operating activities totalled $6,219, an increase of $1,514 compared to the same period in 2010. This increase was largely the result of classification of distributions to shareholders as a finance cost in the 2010 comparative amounts, and consequently as a reduction of earnings. Additionally, cash flows from operating activities have increased reflecting higher sales and higher accounts payable offset partially by higher inventory balances on-hand, and higher accounts receivable as a result of timing of payments from government liquor boards.

Investing Activities

For the three months and year ended December 30, 2011, capital spending, net of dispositions, was $277 and $1,398, respectively, compared to a net disposition of $60 and net additions of $900, respectively, for the three months and year ended December 31, 2010.

Capital spending, net of dispositions, for the year ended December 30, 2011 included $133 (2010 – $211) for new kegs, $537 (2010 - $279) for brewing and packaging equipment, $497 (2010 – $92) for glass containers, $164 (2010 – $223) for the purchase of new mobile equipment, $9 (2010 – $48) for the purchase of office furniture and equipment and $57 (2010 – $47) relating to building improvement and replacement of the floor in the filter room.

For the year ended December 30, 2011, no additions were made to Intangible assets (2010 - $19).

Financing Activities

Cash used in financing activities for the three months and year ended December 30, 2011 remained constant and increased by $1,183, respectively, compared with the three months and year ended December 31, 2010. The increase in cash used in the year ended December 30, 2011 represents a full year of principal repayments on the long term debt, which commenced in November 2010, and the proceeds received on the exercise of employee options in 2010, for which no similar amounts were received in 2011.

On April 30, 2010, Big Rock renewed its $5.0 million demand operating facility with the Corporation's financial institution for a term of three years. The facility is secured through a general assignment of Big Rock's assets and bears interest at prime plus one per cent. The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. Other than the term, all conditions imposed on the facility remained unchanged on renewal.

The balance drawn against the facility fluctuates depending on working capital requirements. At December 30, 2011, there was no balance owing on this facility (2010 - nil).

On October 28, 2010, the Corporation renewed the term financing for a period of five years. The loan is repayable in blended instalments of approximately $65.5 thousand per month, including interest at the financial institution's prime rate plus 1.25 per cent.

The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios including, (i) working capital, and (ii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Working capital is calculated by dividing current assets by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA.

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

	Dec. 30 2011	Dec. 31 2010
EBITDA	$ 6,783	$ (3,245)
Deduct: Depreciation & amortization	3,152	3,053
Earnings (loss) before interest and taxes	3,631	(6,298)
Deduct: Interest	141	2,558
Deduct: Income tax charge (add: recovery)	957	(658)
Net income (loss)	$ 2,533	$ (8,198)

At December 30, 2011 and December 31, 2010, Big Rock was in compliance with all of its debt covenants.

Cash Dividends

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

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

The following cash dividends have been announced by the Corporation to date in 2011:

	2011			2010		
	Record Date	**Distribution Date**	**Per Unit**	Record Date	Distribution Date	Per Unit
January				29-Jan-10	16-Feb-10	$0.10
February				26-Feb-10	15-Mar-10	$0.10
March	31-Mar-11	15-Apr-11	$0.20	31-Mar-10	15-Apr-10	$0.10
April				30-Apr-10	15-May-10	$0.10
May				31-May-10	15-Jun-10	$0.10
June	30-Jun-11	15-Jul-11	$0.20	30-Jun-10	15-Jul-10	$0.10
July				30-Jul-10	16-Aug-10	$0.10
August				31-Aug-10	15-Sep-10	$0.10
September	30-Sep-11	17-Oct-11	$0.20	30-Sep-10	15-Oct-10	$0.10
October				29-Oct-10	15-Nov-10	$0.10
November				30-Nov-10	15-Dec-10	$0.10
December	31-Dec-11	16-Jan-12	$0.20	31-Dec-10	15-Jan-11	$0.10
Total			$0.80			$1.20

Dividends for the three months and year ended December 30, 2011 totalled $1,212 ($0.20 per share) and $4,848 ($0.80 per share) respectively, compared to $1,817 ($0.30 per share) and $7,259 ($1.20 per unit), respectively, for the three months and year ended December 31, 2010. Dividends declared to shareholders may exceed net income generated during the period. Net income may not be an accurate indicator of the Corporation's liquidity, as it may be comprised of significant charges not involving cash including future income tax, changes to non-cash working capital and amortization related expenses.

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

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

CRITICAL ACCOUNTING ESTIMATES

Returnable Glass Containers

Returnable glass containers are initially recorded at cost. In order to account for wear and shrinkage, the cost of bottles is charged to operations over the estimated useful life of five years. The Corporation has purchased $2,900 (2010 - $2,403) of returnable glass containers since converting to the Industry Standard Bottle in early 2002. The net book value of returnable glass containers as at December 30, 2011 is $762 (2010 - $569).

Stock-based Compensation

The Corporation recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the option plan. Stock based compensation expense recognized during the three months and year ended December 30, 2011 was $20 ($nil) and $186 ($176), respectively, as discussed earlier in this MD&A.

Property, Plant and Equipment

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

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

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

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

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

Keg Deposits

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

RISKS RELATED TO THE BUSINESS AND INDUSTRY

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

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

With the large choice of brands now available, and the advertising initiatives of the major breweries, it is likely that price promotions due to competitive pressures will continue. Big Rock believes it is in an excellent position to increase sales volumes; however, the selling price may vary more frequently due to these increasing competitive pricing pressures.

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.

Financial Risk

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

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

Credit Risk and Management

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.

Co-packaging receivables were billed on an "as produced" basis. The contract for this revenue expired in May 2010, and was not renewed at Big Rock's option. These amounts were fully collected in the first quarter of 2010. Supplier rebates, included in current receivables, are accrued throughout the year and are collected annually.

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 and Management

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 and Management

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

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

Interest Rate Risk and Management

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

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

The weighted average interest rate incurred by the Corporation in the three months and year ended December 30, 2011 was 4.30% (2010 – 4.33%) and 4.26% (2010 – 4.01%), respectively.

Foreign Exchange Risk and Management

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

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

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 21, 2012 that is available on **www.sedar.com**.

RELATED PARTY TRANSACTIONS

Related party transactions are included in selling expenses and relate to the engagement of a consultant, related to the Chief Executive Officer, to coordinate work on special projects undertaken by the Corporation in the normal course of business. The expense recognized for the year ended December 30, 2011 was $173 (2010 - $144). As at December 30, 2011 $10 was owing to the consultant (2010 – $nil).

Subsequent to December 30, 2011, a company controlled by the Chairman and CEO of Big Rock commenced providing temporary general labour services to the Corporation in the normal course of business.

These transactions are carried out at market rates and have been recorded at the exchange amount.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

As at December 30, 2011, the Corporation was a party to the following contracts:

- Effective July 1, 2011, the Corporation locked in an agreement with a natural gas retailer to provide natural gas at a fixed price of $4.83 per gigajoule for a period of two and one-half years, ending on December 31, 2013.
- In the fourth quarter of 2011, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $53, of which $27 was payable at December 30. These materials, which will be used in the normal course of business, are expected to be received during the first quarter of 2012.
- Big Rock has a contract for the supply of malt barley through August 2012 at a fixed price of $575 per metric tonne. The barley will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.
- In August 2010, the Corporation entered into an agreement with an electricity retailer to provide electricity for a period of five years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

- In October 2011, the Corporation entered into an operating lease for premises in Edmonton in the amount of $2 per month for a period of one year.

The Corporation has received various government grants, which have certain terms and conditions, as disclosed in note 1. A violation of these terms and conditions may result in Big Rock having to repay an amount, up to and including the total funds received under the grant. For the years ended December 30, 2011 and December 31, 2010, no such violations have occurred; consequently no provision for repayment has been included in the financial statements.

ACCOUNTING STANDARDS ADOPTION

Transition to IFRS

The Corporation adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Prior to the adoption of IFRS, the Corporation followed Pre-Changeover Canadian GAAP. While IFRS uses a conceptual framework similar to Canadian GAAP and has many similarities to Pre-Changeover Canadian GAAP, several of the Corporation's significant accounting policies have changed. The most significant of these accounting policy changes impacting the results of operations have been outlined in earlier sections of this MD&A. (please refer to the sections on selling expenses, depreciation and amortization charges, and finance costs).

Upon adopting IFRS on January 1, 2011, Big Rock was required to restate its comparative 2010 annual and interim financial positions and results of operations, effective from January 1, 2010. Note 3 of the consolidated financial statements as at and for the year ended December 30, 2011 provides a complete list of Big Rock's IFRS 1 elections, detailed reconciliations between Pre-Changeover Canadian GAAP and IFRS of shareholders' equity as at January 1 and December 31, 2010, respectively, and of net earnings and comprehensive income for the year ending December 30, 2011 and the year ending December 31, 2010, as well as information regarding the impacts of IFRS transition on our cash flows. Note 4 outlines our IFRS accounting policies.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS Policies

The Corporation's consolidated financial statements as at and for the years ended December 30, 2011 and December 31, 2010 and the consolidated statements of financial position as at January 1 and December 31, 2010, respectively, have been prepared using the IFRS standards and interpretations currently issued.

Future Accounting Changes

The IASB has issued the following pronouncements:

- IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

- IFRS 10 *Consolidated Financial Statements* which replaces portions of IAS 27 *Consolidated and Separate Financial Statements* and Interpretation SIC 12 *Consolidation – Special Purpose Entities*. In addition, IASB has re-issued IAS 27 *Separate Financial Statements* as a result of IFRS 10 noted above. IAS 27 will only apply when an entity prepares separate financial statements for its interests in subsidiaries, joint ventures and associates.

- IFRS 12 *Disclosure of Interests in Other Entities* which includes disclosure requirement about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

- IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements, which fair value is required or permitted under IFRS.

The above pronouncements shall be applied to annual periods beginning on or after January 1, 2013 with early adoption permitted.

Big Rock has not early adopted these standards, amendments and interpretations; 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 Big Rock Brewery Inc., 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, subject to the inherent limitations noted above, the Corporation's disclosure controls and procedures are effective as of December 30, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's management under the supervision of, and with the participation of, the CEO and CFO, has designed and implemented internal controls over financial reporting ("ICFR"), as defined under NI 52-109. The Corporation's management used the COSO Internal Control over Financial Reporting - Guidelines for Smaller Public Companies (2006) as its framework.

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

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

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Corporation's controls over financial reporting during the fourth quarter ended December 30, 2011, 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, 2011, the CEO and CFO have concluded that the Corporation's ICFR were effective as at that date. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

OUTLOOK

In spite of the current economic uncertainty and general stagnant or declining trends across the beer industry, Big Rock has been able to increase its 2011 volumes compared to 2010, and management expects consumer demand for its products to remain positive throughout 2012. In response to consumer-driven demand, management will continue to invest in targeted marketing opportunities to create brand awareness as well as product innovation and continued efforts to secure new on-premise and retail channels, all of which should contribute to sustained volume growth throughout 2012.

In addition, management will continue to monitor and adjust the selling prices of its products, and will continue to actively manage operating costs, assess regional profitability and focus on operating efficiencies, all of which are intended to maximize profit margins and deliver stable returns to our shareholders.

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:

- expected volumes;
- projections of market prices and costs;
- treatment under governmental regulatory and taxation regimes; and
- supply and demand of Big Rock's products.

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; and
- there will be no supply issues with Big Rock's vendors.

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 2011 Annual Information Form (as filed on SEDAR on March 20, 2012). Readers are cautioned that the foregoing lists of factors are not exhaustive.

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

ADDITIONAL INFORMATION

Additional information on the Corporation, including the Annual Information Form for the year ended December 30, 2011, can be found on SEDAR at **www.sedar.com**

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 20, 2012

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.

Robert Sartor
Chief Executive Officer

Barbara Feit
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Members of the Audit Committee 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, 2011, December 31, 2010, and January 1, 2010, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 30, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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, 2011, December 31, 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 30, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Calgary, Canada
March 20, 2012

Ernst + Young LLP

Ernst & Young LLP
Chartered Accountants

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Big Rock Brewery Inc.

in thousands of Canadian dollars, except per share amounts	Year ended December 30, 2011	Year ended December 31, 2010
Net revenue (Note 4.2)	$ 45,183	$ 45,130
Cost of sales (Note 5)	21,385	20,735
Gross profit	23,798	24,395
Expenses		
Selling expenses (Notes 6 and 23)	15,835	15,215
General and administrative (Notes 7 and 24)	4,281	4,775
Depreciation and amortization	339	272
Operating expenses	20,455	20,262
Operating profit	3,343	4,133
Finance costs (Note 8)	141	2,558
Fair value loss on trust units liability (Notes 16 and 22)	—	10,686
Fair value loss on share based payments liability (Notes 16 and 22)	—	70
Other income	452	433
Other expenses	164	108
Income (loss) before income taxes	3,490	(8,856)
Income tax expense (recovery) (Note 9)	957	(658)
Net income (loss) and comprehensive income (loss) for the period	$ 2,533	$ (8,198)
Net income (loss) per share (note 10)		
Basic and diluted	$ 0.42	$ (1.36)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Big Rock Brewery Inc.

in thousands of Canadian dollars	December 30, 2011	December 31, 2010	January 1, 2010
ASSETS (note 18)			
Non-current assets			
Property, plant and equipment (Note 11)	$ 36,874	$ 38,595	$ 40,889
Intangible assets (Note 12)	207	286	344
	37,081	38,881	41,233
Current			
Inventories (Note 13)	4,429	3,951	3,333
Accounts receivable (Notes 14 and 22)	2,788	1,789	3,617
Prepaid expenses and other (Note 15)	217	397	305
Cash	655	769	728
	8,089	6,906	7,983
Total assets	$ 45,170	$ 45,787	$ 49,216
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
Shareholders' capital (Note 16)	$ 99,954	$ 99,954	$ —
Contributed surplus (Notes 16 and 17)	517	—	—
Accumulated deficit	(68,022)	(65,709)	(52,666)
	32,449	34,245	(52,666)
LIABILITIES			
Non-current			
Long term debt (Notes 18 and 22)	1,983	2,683	3,557
Trust units (Notes 16 and 22)	—	—	88,536
Share based payments (Notes 16 and 22)	—	331	199
Deferred income taxes (Note 9)	5,163	4,206	4,865
	7,146	7,220	97,157
Current			
Accounts payable and accrued liabilities (Notes 19 and 22)	3,663	3,016	4,725
Dividends payable (Notes 20 and 22)	1,212	606	—
Current portion of long-term debt (Notes 18 and 22)	700	700	—
	5,575	4,322	4,725
Commitments (Note 26)			
Total liabilities and shareholders' equity	$ 45,170	$ 45,787	$ 49,216

See accompanying notes to consolidated financial statements

On behalf of the Board:

Edward E. McNally
Director

Michael G. Kohut
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Big Rock Brewery Inc.

in thousands of Canadian dollars	Year ended December 30, 2011	Year ended December 31, 2010
OPERATING ACTIVITIES		
Net income (loss) for the period	$ 2,533	$ (8,198)
Items not affecting cash:		
Depreciation and amortization	3,151	3,054
Gain on sale of assets	(16)	(10)
Stock based compensation	186	139
Change in fair value of financial liabilities	—	10,756
Deferred income tax expense (recovery)	957	(658)
	6,811	5,083
Net change in non-cash working capital related to operations (note 25)	(610)	(378)
Cash provided by operating activities	6,201	4,705
FINANCING ACTIVITIES		
Dividend payments	(4,240)	(4,239)
Principal repayments of long-term debt	(700)	(174)
Cash received on exercise of options	—	656
Cash used in financing activities	(4,940)	(3,757)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,397)	(900)
Purchase of intangibles	—	(19)
Proceeds from sale of equipment	22	12
Cash used in investing activities	(1,375)	(907)
Net increase (decrease) in cash	(114)	41
Cash, beginning of period	769	728
Cash, end of period	$ 655	$ 769

Supplemental cash-flow information		
Cash Interest paid	$ 137	$ 147
Cash taxes paid	$ —	$ —

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Big Rock Brewery Inc.

in thousands of Canadian dollars	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance as at January 1, 2010 (Note 3)	$ —	$ —	$ (52,666)	$ (52,666)
Reclassification of trust units	99,879	—	—	99,879
Shares issued on exercise of options	75	—	—	75
Total comprehensive loss for the year ended December 31, 2010	—	—	(8,198)	(8,198)
Dividends declared for year ended December 31, 2010	—	—	(4,845)	(4,845)
Balance as at December 31, 2010	99,954	—	(65,709)	34,245
Stock options issued on Corporate conversion	—	331	—	331
Share-based payments	—	186	—	186
Total comprehensive income for the year ended December 30, 2011	—	—	2,533	2,533
Dividends declared for the year ended December 30, 2011	—	—	(4,846)	(4,846)
Balance as at December 30, 2011	$ 99,954	$ 517	$ (68,022)	$ 32,449

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Big Rock Brewery Inc. ("Big Rock" or the "Corporation") is a publicly listed corporation incorporated in Canada with limited liability under the legislation of the Province of Alberta and its shares are listed on the Toronto Stock Exchange. On January 1, 2011, Big Rock announced it had completed its conversion from an income trust to a corporation. The common shares of Big Rock Brewery Inc. began trading on the Toronto Stock Exchange on January 7, 2011. The common shares trade under the symbol "BR". The Trust units, which traded under the symbol "BR.UN", were delisted the same day.

References to the Corporation and to shareholders' equity in these consolidated financial statements (the "Financial Statements") include Big Rock Brewery Income Trust and unitholders' equity, respectively, in the comparative period.

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

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

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

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Corporation's first annual financial statements prepared in accordance with IFRS.

Big Rock formerly prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") – Part V ("Pre-Changeover Canadian GAAP").

Note 3 discloses the impact of the transition to IFRS on Big Rock's reported statements of comprehensive income (loss), financial position, cash flows and changes in shareholders' equity including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010 previously prepared under Pre-Changeover Canadian GAAP. Comparative figures for 2010 in these Financial Statements previously reported under Pre-Changeover Canadian GAAP have been restated to give effect to these changes.

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

The Financial Statements have been prepared on the historical cost basis.

The Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated.

2.3 Future Accounting Pronouncements
The IASB has issued the following pronouncements:

- IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition* and *Measurement*.

- IFRS 10 *Consolidated Financial Statements* which replaces portions of IAS 27 *Consolidated and Separate Financial Statements* and Interpretation SIC 12 *Consolidation – Special Purpose Entities*. In addition, IASB has re-issued IAS 27 *Separate Financial Statements* as a result of IFRS 10 noted above. IAS 27 will only apply when an entity prepares separate financial statements for its interests in subsidiaries, joint ventures and associates.

- IFRS 12 *Disclosure of Interests in Other Entities* which includes disclosure requirement about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

- IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements, which fair value is required or permitted under IFRS.

The above pronouncements shall be applied to annual periods beginning on or after January 1, 2013 with early adoption permitted.

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

3. FIRST-TIME ADOPTION OF IFRS

The Corporation adopted IFRS on January 1, 2011 with a transition date of January 1, 2010.

Under IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as previously recorded under Pre-Changeover Canadian GAAP taken to retained earnings, unless certain exemptions are applied.

i. Elected exemptions from full retrospective application:
In preparing these Financial Statements in accordance with IFRS 1, the Corporation has applied an optional exemption from full retrospective application of IFRS. The optional exemption is described below:

> **Business Combinations:**
> The Corporation has applied the business combinations exemption in IFRS 1, to not apply IFRS 3 *Business Combinations* retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the transition date.

ii. Mandatory exceptions to retrospective application:
In preparing these Financial Statements in accordance with IFRS 1, the Corporation has applied a mandatory exception from full retrospective application of IFRS. The mandatory exception applied from full retrospective application of IFRS is described below:

Estimates:

Hindsight was not used to create or revise any other estimates and accordingly the estimates previously made by the Corporation under Pre-Changeover Canadian GAAP are consistent with their application under IFRS.

The Pre-Changeover Canadian GAAP consolidated statement of financial position as of the transition date has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment	i	$ 27,948	$ 12,941	$ 40,889
Intangible assets	i	—	344	344
Deferred charges and other assets	i	37	(37)	—
		27,985	13,248	41,233
Current				
Inventories	ii	3,730	(397)	3,333
Accounts receivable		3,617	—	3,617
Prepaid expenses and other		305	—	305
Cash		728	—	728
		8,380	(397)	7,983
Total assets		$ 36,365	$ 12,851	$ 49,216
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Shareholders' capital		$ 18,431	$ (18,431)	$ —
Contributed surplus		741	(741)	—
Retained earnings (accumulated deficit)		6,529	(59,195)	(52,666)
		25,701	(78,367)	(52,666)
LIABILITIES				
Non-current				
Long term debt		3,557	—	3,557
Trust units	iii	—	88,536	88,536
Share based payment liabilities	iii	—	199	199
Deferred income taxes	iv	2,382	2,483	4,865
		5,939	91,218	97,157
Current				
Accounts payable and accrued liabilities		4,124	601	4,725
Distributions payable		601	(601)	—
		4,725	—	4,725
Total liabilities and unitholders' equity		$ 36,365	$ 12,851	$ 49,216

Reconciliation under Pre-Changeover Canadian GAAP to IFRS:

IFRS employs a conceptual framework that is similar to Pre-Changeover Canadian GAAP. While the adoption of IFRS has not changed the actual cash flows of the Corporation, the adoption has resulted in significant changes to the reported financial position and results of operations of the Corporation. Presented below are reconciliations prepared by Big Rock to reconcile to IFRS the assets, liabilities, equity, net income and cash flows of the Corporation from those reported under Pre-Changeover Canadian GAAP.

3.1 Shareholders' Equity

The following is a reconciliation of the Corporation's shareholders' equity reported in accordance with Pre-Changeover Canadian GAAP to its shareholders' equity in accordance with IFRS at the transition date:

		Share Capital	Contributed Surplus	Retained Earnings (Accumulated Deficit)	Total
As reported under Pre-Changeover Canadian GAAP – December 31, 2009		$ 18,431	$ 741	$ 6,529	$ 25,701
Differences increasing (decreasing) reported amounts:					
Property, Plant and Equipment	i	–	–	12,904	12,904
Intangible assets	i	–	–	344	344
Inventories	ii	–	–	(397)	(397)
Trust units	iii	(18,431)	–	(70,105)	(88,536)
Share based payment liabilities	iii	–	(741)	542	(199)
Deferred income taxes	iv	–	–	(2,483)	(2,483)
As reported under IFRS - January 1, 2010		$ –	$ –	$ (52,666)	$ (52,666)

The following is a reconciliation of the Corporation's shareholders' equity reported in accordance with Pre-Changeover Canadian GAAP to its shareholders' equity in accordance with IFRS at December 31, 2010:

		Share Capital	Contributed Surplus	Retained Earnings (Accumulated Deficit)	Total
As reported under Pre-Changeover Canadian GAAP – December 31, 2010		$ 19,163	$ 803	$ 5,387	$ 25,353
Differences increasing (decreasing) reported amounts:					
Property, plant and equipment	i	–	–	11,578	11,578
Intangible assets	i	–	–	267	267
Inventories	ii	–	–	(519)	(519)
Trust units	iii	80,791	–	(80,791)	–
Share based payment liabilities	iii	–	(803)	472	(331)
Deferred income taxes	iv	–	–	(2,103)	(2,103)
As reported under IFRS - December 31, 2010		$ 99,954	$ –	$ (65,709)	$ 34,245

Notes to the IFRS reconciliations above:

i. Property, plant and equipment ("PP&E") and intangible assets

Upon transition to IFRS, an entity has the elective option to reset the cost of its PP&E based on fair value in accordance with the provisions of IFRS 1, and to use either the cost model or the revaluation model to measure its PP&E subsequent to transition. For the majority of its PP&E, Big Rock has elected to reset the cost based on fair values. Thereafter, Big Rock will use the cost model for all reporting periods.

The Corporation secured the services of an independent appraiser to complete valuations of its land and buildings. The appraisals utilized industry standard and accepted valuation methodologies which included the Cost Approach (for certain assets), the Income Approach and the Direct Comparison Approach to determine fair values. As at January 1, 2010, management applied the IFRS 1 election to deem the carrying value of its land and buildings at their fair values as estimated by each appraisal, with primary reliance based on the Direct Comparison Approach. This approach used recent market comparables/transactions from the local markets. Values were then adjusted for specific conditions relating to the corporation's land and buildings, including square footage, wear and tear and physical access.

In addition, the Corporation secured the services of an additional independent appraiser to complete valuations of its brewing assets and other property, plant and equipment. As at January 1, 2010, management applied the IFRS 1 election to deem the carrying value of its brewing assets and other PP&E at their fair values as estimated by the appraisal, with primary reliance based on the Cost Approach. The Cost Approach establishes a fair value based on the current "new" cost of reproducing or replacing the assets less depreciation from physical deterioration.

In estimating fair value, it was assumed the assets were in the same condition on the date the valuation work was performed as on the valuation date, January 1, 2010, except for normal wear and tear. In addition, no consideration was given to environmental matters. Environmental matters, if any, are discussed under Provisions.

The Cost Approach generally provides a meaningful indication of the fair value for specialized systems and customized machinery and equipment as these items do not routinely trade in the used equipment market. While the universe of market transactions is very small, it is not non-existent. In the rare circumstance in which market transactions for similar assets are observed these assets are generally transacting on a liquidation basis and accordingly were not appropriate for use in our analysis.

Under Pre-Changeover Canadian GAAP, Big Rock included software, naming rights and website costs with other PP&E, which were recorded at historical cost less amortization. Under IFRS, these assets are considered intangible assets.

These adjustments to retained earnings represent the cumulative unrealized gain in respect of the Corporation's PP&E, primarily land, buildings and production equipment, net of amounts reclassified as intangible assets, and accumulated amortization.

ii. Inventories

Under Pre-Changeover Canadian GAAP, Big Rock included promotional and marketing materials to be used in the normal course of business with inventory. Under IFRS, these are considered a selling expense at the time the materials are purchased and received.

This adjustment to retained earnings represents the cumulative amount of such promotional items on hand at January 1, 2010.

iii. Trust units and share based payment liabilities

Under Pre-Changeover Canadian GAAP, Big Rock's trust units were recorded as equity. However, IFRS 2 *Share-based Payments* and IAS 32 *Financial Instruments: Presentation* ("IAS 32") classify the units as a financial liability on the statement of financial position. Financial liabilities are recorded at fair value at each reporting date, with changes in fair value flowing through the statement of comprehensive income.

Under Pre-Changeover Canadian GAAP, stock options were considered equity and reported as contributed surplus at the historical fair values at the date of each grant, less any amounts reclassified to share capital upon exercise.

Under IFRS, the outstanding and exercisable stock options, for the comparative periods when Big Rock was an income trust, are considered other liabilities, as the options are settled in trust units, which other than for the IAS 32 exception noted above, would be classified as a liability.

Although the IAS 32 exception permits the trust units to be re-characterized as equity, following a change to the trust indenture in May 2010, it does not apply to the stock options, which retain their financial liability status throughout 2010.

Accordingly, the above adjustments reflect the reporting of the trust units and options as liabilities at their fair value on January 1, 2010 and for each reporting period thereafter for 2010. Following Big Rock's conversion to a corporation on January 1, 2011, the options were re-characterized as equity.

iv. Deferred income taxes

The adjustment related to deferred income taxes (referred to as future income taxes under Pre-Changeover Canadian GAAP) reflects the change in temporary differences resulting from the impact of the above differences between Pre-Changeover Canadian GAAP and IFRS not already recorded in net income.

3.2 Net Income

The following is a reconciliation of the Corporation's total comprehensive income reported in accordance with Pre-Changeover Canadian GAAP to its total comprehensive income in accordance with IFRS for the year ended December 31, 2010:

		Year ended Dec. 31 2010
As reported under Pre-Changeover Canadian GAAP		$ 6,117
Differences increasing (decreasing) reported amount:		
Property, plant and equipment	i	(1,326)
Intangible assets	i	(77)
Inventories	ii	(122)
Trust units	iii	(13,100)
Share based payment liabilities	iii	(70)
Deferred income taxes	iv	380
As reported under IFRS		$ (8,198)

Notes to the IFRS reconciliation above:

i. PP&E and intangible assets

As noted above, Big Rock elected to reset the cost for the majority of its PP&E based on fair value at the transition date. In addition, certain assets previously reported as PP&E under Pre-Changeover Canadian GAAP have been reclassified to intangible assets under IFRS.

These adjustments to net income represent the resulting increase in depreciation and amortization charges.

ii. Inventories

Under Pre-Changeover Canadian GAAP, Big Rock included promotional and marketing materials to be used in the normal course of business with inventory. Under IFRS, these assets are considered a selling expense at the time the materials are purchased and received.

These adjustments to net income represent the cost of purchases relating promotional items for the periods.

iii. Trust units and share based payment liabilities

As noted above, under Pre-Changeover Canadian GAAP trust units and unit options were considered equity and reported as contributed surplus until exercise when the applicable amount was reclassified to share capital.

Under IFRS, trust units and unit options are considered liabilities, which are re-valued and reported at fair value for each reporting period.

Accordingly, these adjustments to net income reflect the corresponding change in the fair values of the units and stock options for the periods.

iv. Deferred income taxes

The adjustment related to deferred income taxes reflects the change in temporary differences resulting from the impact of the above differences between Pre-Changeover Canadian GAAP and IFRS not already recorded in net income.

3.3 Cash Flows

The adoption of IFRS has had no impact on the net cash flows of the Corporation. The changes made to the statements of financial position and statements of consolidated comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates.

Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of accounts receivable; inventory valuation; capital assets, including amortization; valuation of future income tax amounts; impairment testing and the calculation of share-based payments, all of which by their nature are subject to uncertainty. Actual results could differ materially from those estimates and assumptions used by management due to factors such as fluctuations in interest rates, changes in economic conditions, and legislative and regulatory changes in the environments in which Big Rock operates.

4.2 Revenue Recognition

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

	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Gross product revenue	$ 58,362	$ 57,477
Co-packaging revenue	—	288
Excise taxes	(5,904)	(5,480)
AGLC commissions	(7,327)	(7,209)
British Columbia cost of service	52	54
Net revenue	$ 45,183	$ 45,130

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

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

4.3 Government Assistance

Big Rock receives government grants under the Government of Alberta's Department of Agriculture "Growing Forward" program. Grants in respect of operating expenses are credited to earnings in the period they are received. Grants in respect of PP&E are recorded as a reduction to the cost of the asset. The grants contain certain terms and conditions, including a requirement that the projects are completed within the timeframes outlined in each application and that regular status updates are provided to the Department of Agriculture. In addition, the terms and conditions preclude the general partner from becoming insolvent, being wound-up, liquidated, or amalgamated. A violation of these terms and conditions may result in an obligation to repay some or all of the amounts received.

During the year ended December 30, 2011 Big Rock received government assistance relating to operating expenses in the amount of $76 (2010 - $193). In addition, during the year ended December 30, 2011, the Corporation did not receive any government assistance in respect of PP&E (2010 - $91).

4.4 Accounts Receivable

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

4.5 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.

4.6 Property, Plant and Equipment

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

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

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

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

Management revised its estimate of the useful life of the Edmonton warehouse in conjunction with the appraisal described in Note 3.1. The revised estimated useful life did not have a material impact on annual or cumulative depreciation amounts for this asset.

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

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

4.7 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 their estimated residual values, using the straight line method over the following expected useful lives:

Computer software	3 years
Intellectual property	10 years
Website	6 years

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

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

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

4.8 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”).

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.

4.9 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

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

Deferred income tax

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

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

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

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

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

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

4.10 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.

4.11 Earnings Per Share

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

4.12 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 earnings.

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 (loss) except for losses in value that are considered other than temporary. At December 30, 2011, the Corporation has not classified any financial assets as FVTPL, available-for-sale or held-to-maturity.

Transactions 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.

4.13 Financial Liabilities

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

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

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. Big Rock's trust units were classified as FVTPL prior to May 2010 and were classified as equity after that time.

4.14 Impairment of Non-financial Assets

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

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

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

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

4.15 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 interest expense.

4.16 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

5. COST OF SALES

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

	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Operating expenses	$ 18,572	$ 17,954
Depreciation and amortization	2,813	2,781
Cost of sales	$ 21,385	$ 20,735

6. SELLING EXPENSES

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

	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Delivery and distribution costs	$ 4,378	$ 3,878
Salaries and benefits	3,808	3,714
Promotional material	4,280	4,080
Community sponsorship and other	3,369	3,543
Selling expenses	$ 15,835	$ 15,215

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Salaries and benefits (1)	$ 2,134	$ 2,329
Professional fees	675	1,066
Reporting and filing fees	159	135
Insurance	171	195
Building maintenance and taxes	596	485
Bank charges	55	52
Office, administrative and other	491	513
General and administrative expenses	$ 4,281	$ 4,775

(1) Salaries and benefits included stock-based compensation of $186 (2010 – $176).

8. FINANCE COSTS

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

	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Interest on long-term debt	$ 130	$ 142
Interest on operating facility	11	2
Distributions to shareholders	—	2,414
Finance costs	$ 141	$ 2,558

Under IFRS, the trust units outstanding up to the May 20, 2010 Annual General Meeting, when the trust indenture was changed by the unitholders, were considered a financial liability. Consequently, distributions declared on those units during the first five months of 2010 were considered a finance cost and recorded as a charge to earnings. Following the change to the trust indenture, the trust units and corresponding distributions were recorded as equity transactions.

9. INCOME TAXES

Income tax expense varies from amounts that would be computed by applying the Canadian Federal and Provincial income tax rates to income before income taxes as shown in the following table:

	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Income (loss) before income taxes	$ 3,490	$ (8,856)
Income tax expense (recovery) at statutory rate of 26.64% (2010 – 28.26%)	930	(2,503)
Effect on taxes of:		
Stock-based compensation expenses	50	39
Non-deductible expenses	30	27
True-up of opening timing differences	1	16
Impact of rate change on temporary differences	(60)	86
Change in fair value of trust units and options	—	1,671
Other	6	6
Deferred income tax expense (recovery)	$ 957	$ (658)

Deferred income taxes were comprised of the following:

	Year ended Dec. 30 2011	Dec. 31 2010	Jan. 1 2010
Property, plant and equipment	$ 4,725	$ 4,330	$ 4,970
Share issue costs	(48)	(18)	—
Deferral of partnership income	649	—	—
Non capital losses	(148)	—	—
Other	(15)	(106)	(105)
Deferred income tax liability	$ 5,163	$ 4,206	$ 4,865

10. INCOME (LOSS) PER SHARE

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

Basic	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Net income (loss)	$ 2,533	$ (8,198)
Shares outstanding, beginning of the period	6,057,678	6,014,678
Weighted average # of shares issued during the period	—	32,605
Basic # shares outstanding during the period	6,057,678	6,047,283
Basic Income (loss) per share	$ 0.42	$ (1.36)

Diluted	Year ended Dec. 30 2011	Year ended Dec. 31 2010
Net income (loss)	$ 2,533	$ (8,198)
Basic # shares outstanding during the period	6,057,678	6,047,283
Weighted average # of shares issuable on dilutive options, during the period	9,937	—
Diluted # shares outstanding during the period	6,067,615	6,047,283
Diluted income (loss) per share	$ 0.42	$ (1.36)

For the year ended December 31, 2010, potential shares from all outstanding stock options have been excluded from the calculation of diluted loss per share, as their inclusion is considered anti-dilutive in periods when a loss is incurred.

11. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable Containers	Total
Cost								
As at January 1, 2010	$ 8,365	$ 10,856	$ 19,760	$ 401	$ 300	$ 212	$ 995	$ 40,889
Year ended December 31, 2010								
Additions *	—	47	279	223	48	—	303	900
Disposals				(65)				(65)
As at December 31, 2010	8,365	10,903	20,039	559	348	212	1,298	41,724
Year ended December 30, 2011								
Additions *	—	57	536	164	9	—	631	1,397
Disposals	—	—	(1)	(99)	—	—	—	(100)
As at December 30, 2011	$ 8,365	$ 10,960	$ 20,574	$ 624	$ 357	$ 212	$ 1,929	$ 43,021

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable Containers	Total
Accumulated depreciation								
As at January 1, 2010	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Year ended December 31, 2010								
Charge for the period	—	275	2,408	100	41	15	353	3,192
Eliminated on disposals				(63)				(63)
As at December 31, 2010	—	275	2,408	37	41	15	353	3,129
Year ended December 30, 2011								
Charge for the period	—	275	2,189	160	48	15	425	3,112
Eliminated on disposals	—	—	—	(94)	—	—	—	(94)
As at December 30, 2011	$ —	$ 550	$ 4,597	$ 103	$ 89	$ 30	$ 778	$ 6,147

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable Containers	Total
Net book value								
As at December 31, 2010	$ 8,365	$ 10,628	$ 17,631	$ 522	$ 307	$ 197	$ 945	$ 38,595
As at December 30, 2011	$ 8,365	$ 10,410	$ 15,977	$ 521	$ 268	$ 182	$ 1,151	$ 36,874

**Additions shown net of government assistance. See Note 4.3 for additional information regarding government assistance.*

For the years ended December 30, 2011 and December 31, 2010, there were no indicators of impairment in the carrying value of the Corporation's PP&E. Accordingly no provisions have been recorded in these Financial Statements.

12. INTANGIBLE ASSETS

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

	Computer software	Intellectual property	Website costs	Total
Cost				
As at January 1, 2010	$ 152	$ 170	$ 22	$ 344
Year ended December 31, 2010				
Additions	19	—	—	19
As at December 31, 2010	171	170	22	363
Year ended December 30, 2011				
Additions	—	—	—	—
As at December 30, 2011	$ 171	$ 170	$ 22	$ 363

	Computer software	Intellectual property	Website costs	Total
Accumulated amortization				
As at January 1, 2010	$ —	$ —	$ —	$ —
Year ended December 31, 2010				
Charge for the period	55	19	3	77
As at December 31, 2010	55	19	3	77
Year ended December 30, 2011				
Charge for the period	57	19	3	79
As at December 30, 2011	$ 112	$ 38	$ 6	$ 156

	Computer software	Intellectual property	Website costs	Total
Net book value				
As at December 31, 2010	$ 116	$ 151	$ 19	$ 286
As at December 30, 2011	$ 59	$ 132	$ 16	$ 207

For the years ended December 30, 2011 and December 31, 2010, there were no indicators of impairment in the carrying value of the Corporation's intangible assets. Accordingly no provisions have been recorded in these Financial Statements.

13. INVENTORIES

The inventories for the Corporation are categorized as follows:

	Dec. 30 2011	Dec. 31 2010	Jan. 1 2010
Raw materials and returnable glass containers	$ 1,087	$ 1,154	$ 1,054
Brews in progress	599	834	657
Finished product	2,636	1,829	1,518
Consignment product	92	97	50
Dry goods store (resale goods)	15	37	54
	$ 4,429	$ 3,951	$ 3,333

During the year ended December 30, 2011, charges of $187 (2010 - $73) and $221 (2010 - $140), respectively, were recorded to net income relating to obsolete, damaged or unsellable packaging inventory and promotional and resale goods, and damaged finished goods inventory.

There were no reversals of amounts previously charged to income in respect of write-downs of inventory for the years ended December 30, 2011 and December 31, 2010.

Finished goods inventory includes $256 (December 31, 2010 – $216; January 1, 2010 - $nil) of depreciation charges on production equipment used to convert raw materials to finished goods.

14. TRADE AND OTHER RECEIVABLES

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

	Dec. 30 2011	Dec. 31 2010	Jan. 1 2010
Provincial liquor boards	$ 2,446	$ 1,488	$ 1,884
Supplier rebates and co-packaging customers	113	137	1,538
Other receivables	229	164	195
Total accounts receivable	$ 2,788	$ 1,789	$ 3,617

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

	Dec. 30 2011	Dec. 31 2010	Jan. 1 2010
Less than 30 days	$ 2,327	$ 1,436	$ 2,452
30 – 60 days	359	183	339
60 – 90 days	9	40	284
Over 90 days	93	130	542
Total accounts receivable	$ 2,788	$ 1,789	$ 3,617

The Corporation holds no collateral for any receivable amounts outstanding as at December 30, 2011.

15. PREPAID EXPENSES AND DEPOSITS

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

	Dec. 30 2011	Dec. 31 2010	Jan. 1 2010
Community sponsorship	$ 57	$ 36	$ 56
Prepaid insurance	77	62	56
Property taxes	—	19	8
Equipment rental and maintenance	50	60	61
Public filing fees	—	2	1
Promotional materials	27	155	103
Employee benefits	—	40	—
Other	6	23	20
	$ 217	$ 397	$ 305

16. SHARE CAPITAL

	# of Shares	$ Amount
As at January 1, 2010	6,014,678	—
Quarter ended March 31, 2010		
Shares issued upon exercise of options	22,200	—
As at March 31, 2010	6,036,878	—
Quarter ended June 30, 2010		
Shares issued upon exercise of options prior to May 20, 2010	16,400	—
Reclassification of trust liability to equity on May 20, 2010	6,053,278	99,879
Shares issued upon exercise of options	1,500	26
As at June 30, 2010	6,054,778	99,905
Balance of year		
Shares issued upon exercise of options	2,900	49
As at December 31, 2010 and December 30, 2011	6,057,678	99,954

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

Under Pre-Changeover Canadian GAAP, Big Rock's trust units were recorded as equity. However, IFRS 2 *Share-based Payments* and IAS 32 *Financial Instruments: Presentation* classify the units as a financial liability on the statement of financial position. Financial liabilities are recorded at fair value at each reporting date, with changes in fair value flowing through the statement of comprehensive income. Following a change to the trust indenture in May 2010, the trust units were reclassified to equity at the fair value on that date.

17. SHARE-BASED PAYMENTS

17.1 Stock Option Plan

The Corporation has a stock option plan which permits the Board of Directors of the Corporation to grant options to acquire common shares of the Corporation at the closing trading price on the date of the grant or the volume weighted average closing price for the five days preceding the date of grant, if no shares traded on the grant date. The Compensation and Benefits Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements – including the terms of the option plan. The Corporation is authorized to issue options for a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan.

The general terms of stock options granted under the amended plan include a maximum exercise period of 5 years and vesting immediately. The options granted in the year ended December 30, 2011 were granted with an exercise period of 5 years and vested immediately.

On August 25, 2010, the Corporation granted 120,000 stock options to officers, employees and directors at an exercise price of $17.00 with an expiry date of August 25, 2015. On March 26, 2011, the Corporation granted 58,000 options at an exercise price of $16.60 with an expiry date of March 22, 2016. On August 4, 2011, the Corporation granted 50,500 options at an exercise price of $11.88 with an expiry date of August 4, 2016. On December 5, 2011 the Corporation granted 14,000 options at an exercise price of $12.49 with an expiry date of December 5, 2016.

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

	December 2011	**August 2011**	**March 2011**	August 2010	October 2007	February 2007
Weighted average fair value per option	1.44	1.03	1.95	1.15	1.85	1.24
Risk-free interest rate (%)	1.17	1.48	2.30	1.80	5.00	3.97
Expected life of the options (years)	4	4	4	4	2	2
Dividend rate (%)	6.43	6.73	4.80	7.10	8.00	10.22
Volatility in the price of the Corporation’s shares (%)	28.5	23.4	23.5	22.0	27.0	25.6

A share-based compensation charge of $186 for the options granted during the year ended December 30, 2011 (2010 - $139) was recognized in statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

17.2 Stock Appreciation Rights Plan

On April 1, 2006 the Corporation introduced a stock appreciation rights plan (“SAR”) to be used as a basis for incentive compensation to employees. Under the plan, employees who held incentive stock options previously issued in June 2005 with an exercise price of $19.07 (the “old” options) could exchange each old option for a new SAR. The SARs vest after a three year period beginning April 1, 2006 and are exercisable for two years thereafter at a price of $17.00 per trust unit (to be settled in cash).

At the end of each reporting period, the fair value of the SARs, as determined by the difference between the trading price of the Corporations shares at that date and the exercise price, is recorded as a liability on the balance sheet, on a pro rata basis, over the vesting period. For SARs issued in exchange for old options, to the extent this amount is less than the compensation expense originally recorded in 2005 for the old options, an offsetting amount is charged to contributed surplus. Any liability in excess of the amount previously recorded as compensation expense will be recorded as additional compensation expense in the current year.

As at December 30, 2011, 227,000 SARs were outstanding (December 31, 2010 – 447,250). During the year ended December 30, 2011, no SARs were issued (2010 – nil), no SARs were exercised (2010 – 15,000) and 220,250 SARs were expired (2010 – 187,000). Expired SARs related to individuals no longer employed with Big Rock or to rights which were not exercised within the five year life.

As at December 30, 2011, the trading price of the Corporation shares was less than the exercise price of the majority of the SARs, resulting in no liability being recorded in the financial statements (December 30, 2010 - $nil).

17.3 Outstanding Stock Options

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

	2011		2010	
	# of Options	**Weighted Average Exercise Price**	# of Options	Weighted Average Exercise Price
Balance, beginning of year	262,000	$ 15.84	385,600	$ 17.10
Expired	(30,500)	$ 16.62	(200,600)	$ 18.56
Exercised	—	—	(43,000)	$ 15.26
Issued	122,500	$ 14.18	120,000	$ 17.00
Balance, end of year	354,000	$ 15.50	262,000	$ 15.84

The following table summarizes information about stock options outstanding and exercisable at December 30, 2011:

Exercise Price	**# of Options Outstanding at December 30, 2011**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**# of Options Exercisable at December 30, 2011**
$11.88 to $15.25	64,500	4.67	$ 12.01	64,500
$15.26 to $17.71	269,500	2.21	$ 16.17	269,500
$17.72	20,000	0.75	$ 17.72	20,000
Balance, December 30	354,000	2.58	$ 15.50	354,000

Under IFRS, the outstanding and exercisable stock options, for the 2010 comparative periods during which Big Rock was an income trust, are considered a liability. Accordingly, the options are recorded at their fair value for each of the comparative reporting periods in 2010.

18. BANK INDEBTEDNESS AND LONG-TERM DEBT

18.1 Operating Facility

On April 30, 2010, Big Rock renewed its $5.0 million demand operating facility with the Corporation's financial institution for a term of three years. The facility, which bears interest at prime plus one percent, is used to fund working capital requirements and allows for borrowing, repayment, and additional borrowing up to the amount specified as necessary. Collateral for these borrowings is a general assignment of Big Rock's assets.

As at December 30, 2011, no balance (December 31, 2010 - nil) was outstanding on the facility. The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at December 30, 2011 and December 31, 2010, Big Rock was in compliance with all covenants.

18.2 Long-term Debt and Credit Facility

On October 28, 2010, the Corporation renewed the term financing for a period of five years. The loan is repayable in monthly instalments of approximately $58 plus interest at the financial institution's prime plus 1.25 per cent.

Big Rock also signed a $6.5 million credit facility which is available in two tranches of $2.0 million each and one tranche of $2.5 million to finance capital asset expansions. Once advances under a tranche total $2.0 million or $2.5 million as outlined above, the respective tranche will convert to a reducing term loan. Until such time as the facility is converted, interest will be payable at the financial institution's prime plus 1.25 per cent. Following conversion, the term loans will be amortized over periods up to 10 years, with terms ranging from 1 to 5 years. Undrawn amounts under the facility may expire on April 30, 2012, if not extended.

The term financing and credit facility impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at December 30, 2011 and December 31, 2010, Big Rock was in compliance with all covenants.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	Dec. 30 2011	Dec. 31 2010	Jan. 1 2010
Less than 30 days	$ 3,608	$ 2,953	$ 4,711
30 – 60 days	—	37	—
60 – 90 days	1	15	—
Over 90 days	54	11	14
Total accounts payable and accrued liabilities	$ 3,663	$ 3,016	$ 4,725

20. DIVIDENDS PAYABLE

Big Rock declared dividends during the year ended December 30, 2011 in the amount of $4,846 ($0.80 per share) compared to distributions of $7,259 ($1.20 per unit) for the same period in 2010. Dividends were paid on April 15, July 15, and October 17 of 2011 and January 16, 2012.

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

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

21. CAPITAL RISK MANAGEMENT

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

	Dec. 30 2011	Dec. 31 2010
Bank indebtedness (cash)	$ (655)	$ (769)
Total debt	2,683	3,383
Shareholders' equity:		
Shareholders' capital	99,954	99,954
Contributed surplus	517	—
Accumulated deficit	(68,022)	(65,709)
Total shareholders' equity	32,449	34,245
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 34,477	$ 36,859

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

In addition, the Corporation monitors its capital using ratios of (i) debt to total capitalization, (ii) working capital, and (iii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Debt to total capitalization is calculated as long-term debt, including current portion, plus bank indebtedness divided by total capital. Working capital is calculated by dividing current assets by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. Both working capital and EBITDA to long-term debt are used for compliance with debt covenants.

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

22. FINANCIAL INSTRUMENTS

22.1 Categories of Financial Instruments

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

Big Rock's financial instruments and their designations are:

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

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

22.2 Fair Value

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

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

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

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

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

Non-derivative financial assets and liabilities

Fair values for accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and distributions payable are not materially different from their carrying amounts due to their short-term nature.

The fair value of the Corporation’s long-term debt approximates its carrying value as the debt bears interest at variable rates.

22.3 Financial Risk Management Objectives and Policies

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

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

(i) Currency risk

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

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

Foreign currency sensitivity analysis

An increase or decrease in US currency foreign exchange of 3 percent would result in a change to net income for the year ended December 30, 2011 of $1 (2010 – $2).

(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 feels the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation's long-term debt does not change as interest rates change.

The weighted average interest rate incurred by the Corporation in the year ended December 30, 2011 was 4.26% (2010 – 4.01%).

Interest rate sensitivity analysis
In the event interest rates changed by 75 basis points, the Corporation's net income for the year ended December 30, 2011 would be affected by $15 (2010 – $18).

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.

Co-packaging receivables were billed on an "as produced" basis. The contract for this revenue expired in May 2010, and was not renewed at Big Rock's option. These amounts were fully collected in the first quarter of 2010. Supplier rebates, included in current receivables, are accrued throughout the year and are collected annually.

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

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

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

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

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

23. RELATED PARTY TRANSACTIONS

Related party transactions are included in selling expenses and relate to the engagement of a consultant, related to the Chief Executive Officer, to coordinate work on special projects undertaken by the Corporation in the normal course of business. The expense recognized for the year ended December 30, 2011 was $173 (2010 - $144). As at December 30, 2011 $10 was owing to the consultant (2010 – $nil).

Subsequent to December 30, 2011, a company controlled by the Chairman and CEO of Big Rock commenced providing temporary general labour services to the Corporation in the normal course of business.

These transactions are carried out at market rates and have been recorded at the exchange amount.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Year ended	
	Dec. 30 2011	Dec. 31 2010
Salaries and other short-term benefits	$ 657	$ 687
Bonuses	117	130
Stock-based compensation	145	106
Total compensation	$ 919	$ 923

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

25. CHANGE IN NON-CASH WORKING CAPITAL

	Year ended	
	Dec. 30 2011	Dec. 31 2010
Accounts payable and accrued liabilities	$ 647	$ (1,709)
Inventory	(438)	(402)
Accounts receivable	(999)	1,825
Prepaid expenses	180	(92)
Total change in non-cash working capital	$ (610)	$ (378)

26. COMMITMENTS FOR EXPENDITURE

As at December 30, 2011, the Corporation was a party to the following contracts:

- Effective July 1, 2011, the Corporation locked in an agreement with a natural gas retailer to provide natural gas at a fixed price of $4.83 per gigajoule for a period of two and one-half years, ending on December 31, 2013.

- In the fourth quarter of 2011, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $53, of which $27 was payable at December 30. These materials, which will be used in the normal course of business, are expected to be received during the first quarter of 2012.

- Big Rock has a contract for the supply of malt barley through August 2012 at a fixed price of $575 per metric tonne. The barley will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

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

- In October 2011, the Corporation entered into an operating lease for premises in Edmonton in the amount of $2 per month for a period of one year.

The Corporation has received various government grants, which have certain terms and conditions, as disclosed in note 1. A violation of these terms and conditions may result in Big Rock having to repay an amount, up to and including the total funds received under the grant. For the years ended December 30, 2011 and December 31, 2010, no such violations have occurred; consequently no provision for repayment has been included in the financial statements.

27. SUBSEQUENT EVENTS

On March 15, 2012 the Board of Directors approved a dividend payable to shareholders of record as at March 30, 2012 in the amount of $0.20 per share. The dividend will be paid on April 16, 2012.

On March 15, 2012 the Board of Directors approved a new Share Appreciation Rights Plan and granted 52,300 share appreciation rights to officers, employees and directors at an exercise price of $12.51. The share appreciation rights vested immediately.

On March 20, 2012 the Corporation granted 58,500 stock options to officers, employees and directors at an exercise price of $13.45 with an expiry date of March 20, 2017. The options vested immediately.

28. SEGMENTED INFORMATION

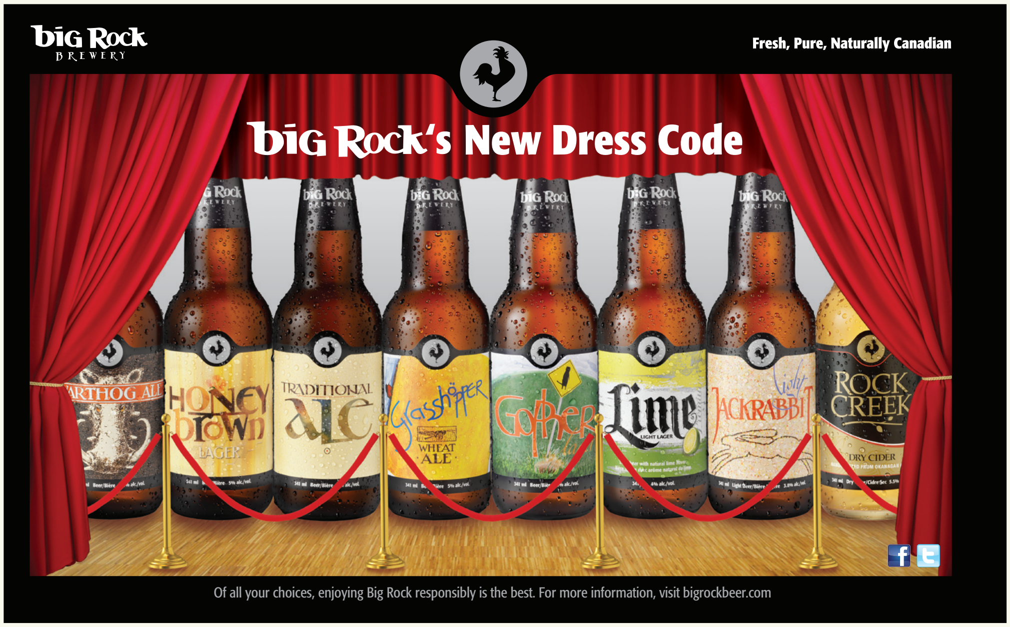
The Corporation conducts its business as a single operating segment being the producer of craft beer and cider in Canada. All property, plant and equipment are situated in Canada. Investment revenue was earned from domestic sources.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Big Rock Brewery Inc. for the year ended December 30, 2011 were approved and authorized for issue by the Board of Directors on March 20, 2012.

Big Rock
BREWERY

"To create a masterpiece, no compromise may be tolerated."
-Ed McNally



CORPORATE INFORMATION

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