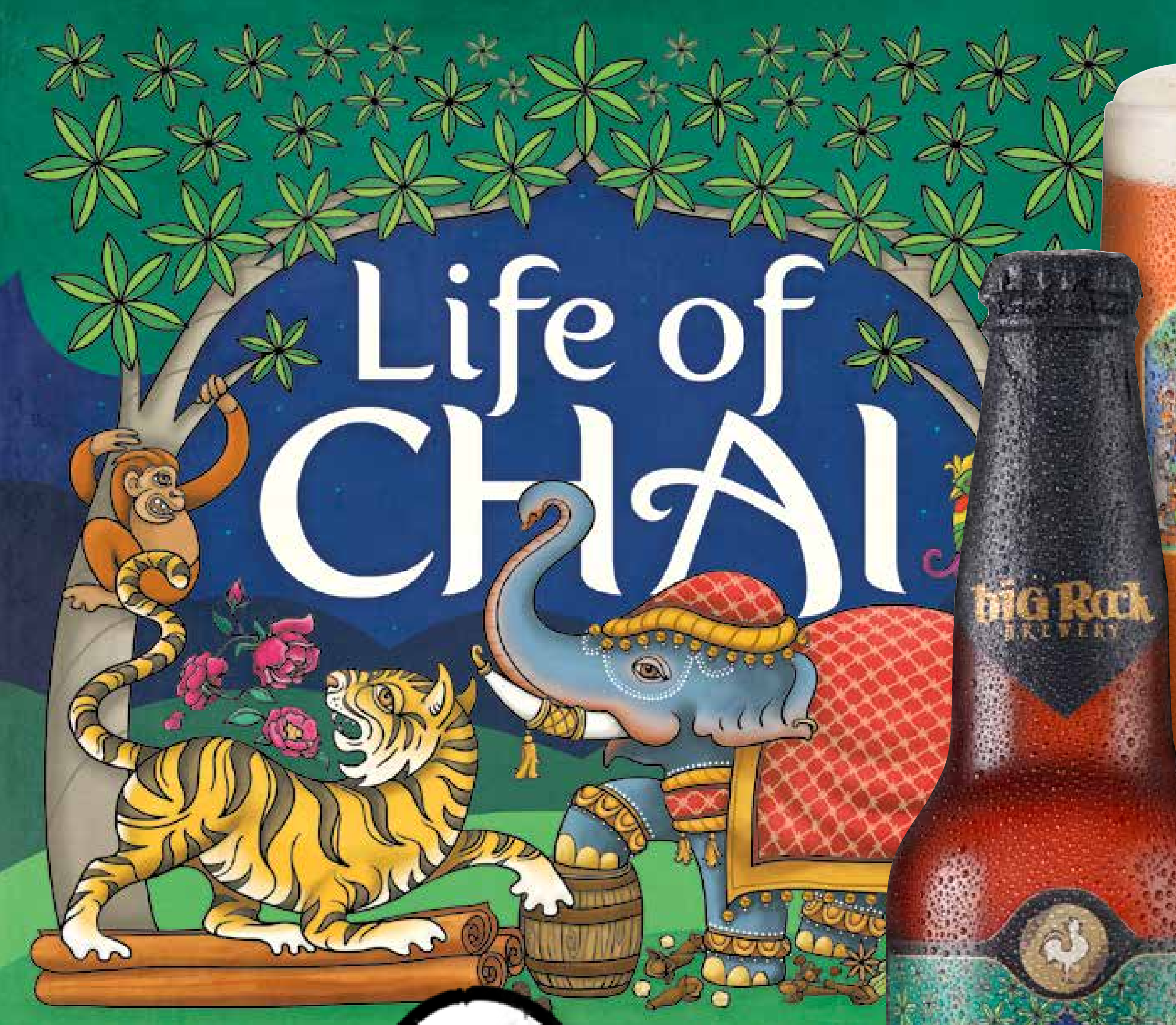

Financial Highlights

in thousands of Canadian dollars, unless otherwise noted	2013	2012
Sales volume (hl)	**184,802**	**217,646**
Net revenue	**41,587**	**46,057**
Net income	**2,551**	**4,135**
Earnings per share	**0.42**	**0.68**
Shareholders' equity	**29,958**	**32,071**

Annual Meeting of Shareholders

The annual meeting of the shareholders will be held at:
Big Rock Brewery, 5555 - 76th Avenue S.E., Calgary, AB, Canada
Wednesday, May 14, 2014 at 2:00 pm (MST).

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CEO’s Message

Fiscal 2013 was a year of profound change at Big Rock as we marked the first and most difficult year of a three year transformation of our company. Our vision of becoming Canada’s most innovative local, national craft brewer is now well underway. During the year, we felt the negative sales impact of the discontinuance of four beers that simply did not measure up to our go-forward expectations of what we wanted to share with craft beer lovers as well as the planned termination of a large contract with a major restaurant chain. Sales volume was also impacted by severe flooding in southern Alberta which had a significant negative influence on one of our top sales months in June.

But 2013 also saw enormously positive changes at Big Rock. Our revenues per hectolitre grew by 6.3% as our unique craft beer innovation program saw us bring to market 23 new, higher margin, deliberately different beers. We re-worked our brand architecture, re-packaged all of our Signature Series beers, introduced a new custom designed bottle and began the process of putting down roots in British Columbia with the announcement of a new brewery in Vancouver. We also completely changed the focus of our sales force, which was accompanied by some necessary but painful leadership changes. Several of these initiatives and changes required one-time investments and write-offs, negatively impacting operating profit, which was $3.3 million for 2013 versus $5.6 million in 2012. Absent these non-recurring costs, operating profit would have been $5.1 million for the year.

Looking ahead, we expect good performance in both British Columbia and Ontario with the leadership changes effected there and with the opening of our brewery in Vancouver. We will also be developing a plan to put down production roots in Ontario in 2015.

We are also hopeful that a beer mark-up review initiated by the Alberta government in May 2012, which is not yet completed as of the writing of this message, and the uncertainty it has introduced in the brewing industry, is settled in 2014. Over the past four years, although the total volume of beer sold in Alberta has stayed relatively flat, the total number of product listings of craft and import beers has more than doubled. This imbalance of beer supply versus beer demand, enabled by Alberta’s open market and lower taxes has challenged all of Alberta’s craft brewers, and makes Big Rock’s diversification of production away from Alberta to markets that more effectively balance supply and demand a key strategic imperative.

This year our planned beer innovation program will see us produce 27 deliberately different beers to satisfy discriminating craft beer palates and we will, for the first time, be expanding our cider line up to more fully participate in the growing demand for cider in Canada.

Bob Sartor
Chief Executive Officer

Brewmaster's Message

This past year, we flexed our innovation muscle and took serious steps toward our goal of being recognized as Canada's leading local craft brewery. At a relentless pace we produced some pretty darn good and head-turning beers and we completed some of the most aggressive changes and challenging projects that I have seen at this company. We began the year designing a beer using brewing techniques not seen for centuries, and we finished the year brewing beer with ingredients harvested from the forest floor. We were challenged to change our traditional ways, to take a different approach and to show our stuff. The employees of this brewery now realize the possibilities ahead after a satisfying year of accomplishments.

Brewing new and deliberately different beer was not our only successful venture in 2013. In a move to further strengthen quality control, we layered a new food safety program over our existing industry-leading quality assurance program. After a year of preparation and undergoing a comprehensive external audit, we received our food safety certification under the British Retail Consortium. This new program applies a world-class food safety operations and reporting structure that ensures complete control of our product quality from the raw materials before they are delivered to our brewery through the point where our consumer pours a glass of our beer.

If new beer and quality assurance didn't keep us all engaged, we also embarked on a complete packaging overhaul. Our wardrobe was becoming dated and it was time for a change. A new set of clothes was designed for our beer and we dressed it in an elegant embossed bottle. Now, our packaging better complements the wonderful beer in the bottle. To fill this new package, we installed new environmentally-friendly machinery which reduces our carbon footprint and demonstrates that Big Rock remains a leader in the craft beer segment.

It has been a year of granite, fruit, spices and spruce, new programs and new packaging. It has also been a year of excitement, evolution and hard work. We leave the year with a feeling of accomplishment and enormous pride. One would think 2013 would be a tough act to follow, but there is just as much and perhaps even more coming our way in 2014: introducing yet another new beer line-up, growing our own ingredients, aging in barrels and conditioning in casks. Add all of that to the development of a new brewery hub in metro Vancouver.

Big Rock is again attracting attention in the Canadian craft beer scene. This brewery has become a vibrant, fun and exciting place to work. Pride is what has motivated the employees. We have our sights set and as our plans come to fruition, our team's pride and motivation will continue to grow.

Paul Gautreau
VP Operations & Brewmaster

Big Rock's CFO Barbara Feit, Brewmaster Paul Gautreau and CEO Robert Sartor

Big Rock Innovation

With innovation being at the forefront of Big Rock's mantra in 2013, we released 16 new beers. These were included in our "Brewmaster's Mind Map", which laid out all of our planned releases for the year. Many thought 16 new beers was too lofty of a goal, but we were determined to prove to ourselves and the public just how cutting edge we could be. At the close of 2013, we are proud to say that not only did we achieve our goal, we brewed up many successes that will surely return in the future.

Steve Earle performing at the Vancouver Folk Music Festival

REGINA FOLK FESTIVAL

CALGARY FOLK MUSIC FESTIVAL

Folk Festivals

Supporting the local arts and music community is important to everyone at Big Rock. We received support from the local community when our Founder, Ed McNally, started Big Rock and now we are in the position to give back. Big Rock is not only a major sponsor of the Calgary Folk Music Festival, but also of many other leading Canadian Festivals, from Vancouver and Edmonton to Regina and Winnipeg.

EDMONTON FOLK MUSIC FESTIVAL

WINNIPEG FOLK FESTIVAL

VANCOUVER FOLK MUSIC FESTIVAL

Nanobrewery

In late 2013 we purchased our smallest brewhouse to date, the Nanobrewery. The 300 litre system consists of a copper clad two vessel brewing system: vessel one is a mashtun/brew kettle and vessel two is a lautertun/whirlpool. It is steam heated and has several fermenting vessels, a bright tank and a mill. Another exciting benefit to this new Nanobrewery is the opportunity to collaborate with the industry experts, celebrity chefs, food and drink writers and people who just love good beer!

Beer Awards

We consider our beer to be some of the best available in the Canadian craft beer marketplace and it isn't just us who think so. 2013 saw Big Rock bring home some great awards for our new and old creations, proof that we consistently produce top notch beers for the thirsty public. At the Calgary International Beerfest our Helles Bock Lager won Gold in the Amber Lager/Dark Bock category and our Barghest Barleywyne won silver in the Belgian Strong Ale/Stong Ale category. Our Scottish Heavy Ale was the Judge's Selection at the inaugural Alberta Beverage Awards. Lastly, our classic Grasshopper Wheat Ale won bronze at the Canadian Brewing Awards in the wheat ale category.

Suds for Floods

In the wake of the devastating floods that struck Calgary and area in June of 2013, Big Rock and other local breweries banded together for a special fundraising event, Suds for Floods. Spearheaded by Big Rock, this event saw over 1,300 attendees who helped raise more than $37,000 for both Red Cross Canada and the Calgary Foundation Flood Rebuilding Fund. In the spirit of craft beer camaraderie, local Calgary breweries like Tool Shed, Brew Brothers, Wild Rose and Village all pitched in to help with the cause.

Revelers at the 20th Annual Eddies Awards

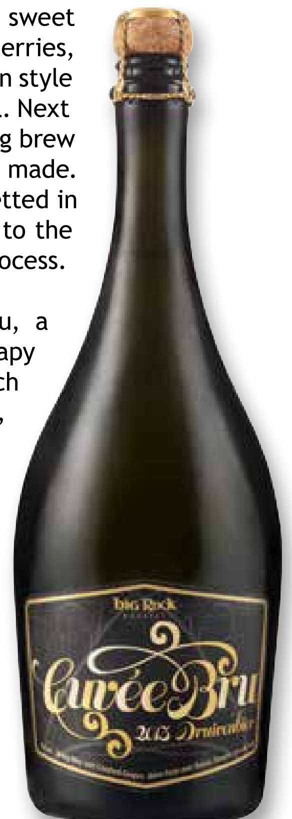
20th Annual Big Rock Eddies

The 2013 Eddies marked our 20th year celebrating the creative genius of the beer drinker. When the Eddies began back in 1993, it was because we didn't think there was anyone better to create Big Rock commercials than those who knew and loved our beer – the Big Rock beer drinkers. We added a special t-shirt category for the event and received many creative entries as usual. The event continued its longstanding theme of community support, with money raised for local charities like One Yellow Rabbit, the EPCOR Centre and the Calgary Folk Music Festival.

Alchemist EDITION

Our Alchemist Edition Series was launched in late 2012 and we kept the ball rolling with many new and bold ideas throughout 2013. We kicked off the year with the release of our Erratic Stone Fired Ale in April. Emulating a technique developed in the Middle Ages, when brewers couldn't put direct flame to a wooden kettle, we added super-heated chunks of B.C. granite to the kettle to create our first steinbier. The stones imparted an unusual mineral and burnt caramel complexity to this unique ancient beer style. Then, during the lead up to summer, Brewmaster Paul Gautreau set his sights on Belgium's centuries-old tradition of fine fruit beers. At carefully-timed points throughout the fermentation process, Paul blended imported Belgian yeast with dark sweet cherries, lively tart cherries and succulent raspberries, bringing all the flavors together to create Cherazz, a Belgian style fruit ale with medium carbonation and a delicate mouthfeel. Next to be released in 2013 was Anthea, a seasonal, fresh-tasting brew that just might be the freshest tasting beer we've ever made. This brew was made with fresh Cascade hops, which we jetted in overnight from the Yakima Valley, Washington and added to the kettles at the beginning, middle and end of the brewing process.

Our last Alchemist offering of the year was Cuvée Bru, a druivenbier that married Pinot Gris grapes from Therapy Vineyards and a classic Big Rock beer. 'Cuvée', a French wine term denoting a particular noble vintage, and 'Bru', a reminder of the trio of home-grown malts and delicate Hallertau hops that make this a classic Big Rock beer, fused with the regal grapes of the renowned Therapy Vineyards. Cuvée Bru featured subtle hints of clover honey, pear and melon with a light touch of malt.

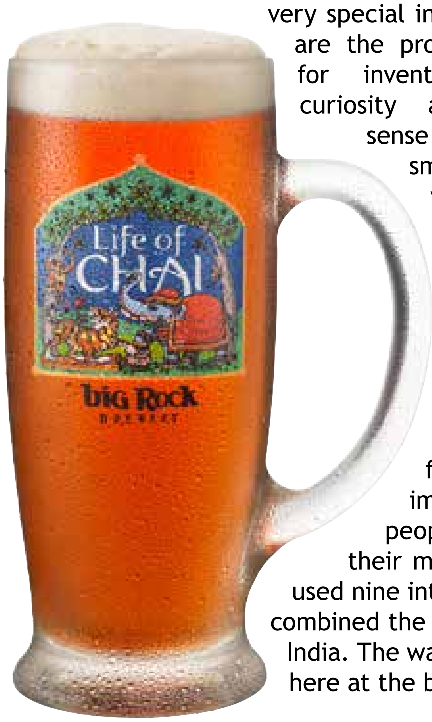


CEO Bob and Brewmaster Paul on their beer tour

Inspiration Tour

Being an innovative brewery requires research and lots of it. CEO Bob and Brewmaster Paul were more than happy to do their part and embarked on the beer tour of a lifetime. Their trip took them to both Belgium and the United Kingdom to find beers that cannot be tasted anywhere else and to visit breweries entrenched in excellence and history. When Brewmaster Paul talks about the trip he explains it best by saying, "Inspiration comes from learning." We will be bottling that inspiration in the near future.

Brewmaster’s Edition



Three new Brewmaster’s Limited Edition beers were released in 2013 including Helles Bock Lager, Rosmarinus Aromatic Ale and Life of Chai Spiced Ale. These crafty brews all share one very special ingredient – play. They are the product of our passion for invention, our constant curiosity and our insatiable sense of adventure. The smooth golden texture of Helles Bock was Brewmaster Paul’s interpretation of the bock, a strong German beer first brewed in the 14th century. Its malty flavour balanced by Hallertau hops is what made this strong lager so enticing. Rosmarinus Aromatic Ale’s hop bitterness was almost negligible due to the comforting flavor and fragrance of this ancient herb. Perfect for cooking with, Rosmarinus made an impression over the summer months with people who love to add flavourful suds to their meals. For Life of Chai, Brewmaster Paul used nine intriguing chai spices to create a brew that combined the classic Big Rock taste with flavours from India. The warmth of Life of Chai helped keep us cozy here at the brewery during the cold winter months.

Brewery Renovations

It was in 1995 that we packed up our brewery from its location on Barlow Trail and moved it to our current location in the Foothills Industrial Park. The new space allowed for expansion for years to come and the chance to design the brewery the way we wanted it to look. Nonetheless, things were beginning to look tired and we wanted to give the place a facelift. For two months in 2013, we shut down the Big Rock Grill, store and taproom to transform all of our customer-facing areas. The result was a fresh space to better represent the revitalization of Big Rock.

Brand new digs at Big Rock!

Management's Discussion and Analysis

(in thousands of Canadian dollars, 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, 2013, as compared to the year ended December 30, 2012.

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, 2013 and 2012 (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, unless otherwise noted.

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

The MD&A is dated March 17, 2014.

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 eight 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 and Manitoba and agency arrangements for product sales in Ontario and the Atlantic Provinces. Big Rock products are sold in nine provinces and three territories in Canada and also exported to Korea.

INDUSTRY TRENDS AND INDICATORS

The beer industry in Canada has become increasingly polarized, with growth occurring in value-priced products at one end of the spectrum and in premium craft beers at the other end. This growth is largely at the expense of products in the middle of the spectrum, which have been declining steadily over the past several years. The net result for the industry was an overall decline in sales volumes of 2.1% for 2013 compared to 2012. Big Rock's shift in emphasis from volume growth to a focus on maximization of sustainable cashflow and operating profit has meant a deliberate reduction in volumes as promotional pricing activities were scaled back. Therefore, despite the overall trends for its market segments, Big Rock saw a decline in sales volumes of 15% for the year ended December 30, 2013.

SELECTED ANNUAL FINANCIAL INFORMATION

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

$ thousands (unless otherwise stated)	Dec. 30 2013	Dec. 30 2012	Dec. 30 2011
Statements of Comprehensive Income Data			
Net revenue	41,587	46,057	45,183
Operating profit	3,282	5,618	3,343
Net income	2,551	4,135	2,533
Income per share (basic and diluted)	$0.42	$0.68	$0.42
Dividends per share	$0.80	$0.80	$0.80
Statements of Financial Position Data			
Total assets	42,657	46,300	45,170
Total debt	—	2,042	2,683

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	2013				2012			
$ thousands (unless otherwise stated)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volumes (hectolitres)	**39,328**	52,110	51,266	42,098	46,188	62,276	61,615	47,567
Net revenue	**9,096**	11,852	11,635	9,004	10,239	13,281	12,935	9,602
Operating profit (loss)	**(243)**	1,590	1,806	129	832	2,395	2,311	80
Net income (loss)	**(127)**	1,217	1,369	92	595	1,749	1,683	108
Earnings (loss) per share (basic and diluted)	**$ (0.02)**	$0.20	$ 0.22	$ 0.02	$0.10	$ 0.28	$ 0.28	$ 0.02
Dividends per share	**$ 0.20**	$0.20	$ 0.20	$ 0.20	$0.20	$ 0.20	$ 0.20	$ 0.20

Big Rock experiences seasonal fluctuations in volumes, net sales revenue and net 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 decreased 15% for the three months ended December 30, 2013 and 15% for the year ended December 30, 2013 as compared to the same periods for 2012. Big Rock's consolidated net income for year ended December 30, 2013 was $2,551 compared to $4,135 in 2012. The decrease in net income is a result of reduced volumes.

Management believes operating profit to be a more meaningful comparison to assess the Corporation's performance. For the quarter ended December 30, 2013, operating losses totalled $243 compared to operating profit of $832 for the same period last year. The lower operating results in 2013 were driven mainly by lower net revenues, while cost of sales remained fairly consistent. For the year ended December 30, 2013, operating profit decreased to $3,282 from $5,618, which was mainly driven by reduced volumes.

Gross Profit

	Three months ended			Twelve months ended		
$ thousands (unless otherwise stated)	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
Net revenue	9,096	10,239	(1,143)	41,587	46,057	(4,470)
Cost of sales:						
Ingredients and packaging materials	2,322	2,352	(30)	9,996	11,498	(1,502)
Labour	1,009	1,040	(31)	4,487	4,398	89
Overhead	753	640	113	2,828	2,355	473
Inventory movement	305	185	120	106	28	78
Depreciation	804	823	(19)	2,843	2,870	(27)
Cost of sales	5,193	5,040	153	20,260	21,149	(889)
Gross profit	3,903	5,199	(1,296)	21,327	24,908	(3,581)
Sales volumes (hectolitres)	39,328	46,188	(6,860)	184,802	217,646	(32,844)

Net sales revenues include product sales for beer and cider.

Net sales revenue decreased $1,143 and $4,470 for the three months and year ended December 30, 2013, respectively, compared to the same periods in 2012. Lower revenue is due to lower volumes, offset partially by higher prices. Lower volumes in the quarter were experienced in the "core" and value categories, due largely to less extensive promotional pricing activity on these products in 2013 as compared to the same period in 2012, combined with aggressive and growing competition in the Alberta market. Volume growth occurred in premium-priced signature brands.

Management believes that a strategic focus on geographical regions that offer maximal growth and profit potential, together with continued product innovation and concomitant premium pricing to be key elements of Big Rock's future profit growth strategy.

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

For the three months and year ended December 30, 2013, total cost of sales increased by $153 and decreased $889, respectively, compared to the same periods last year, as described below:

- For the quarter ended December 30, 2013, costs relating to ingredients and packaging materials decreased $30, while for the year ended December 30, 2013, costs decreased $1,502 compared to the same periods in 2012. These declines are a result of reduced production volumes offset by $307 associated with the disposal of old packaging on rebranding and higher per unit costs associated with upgraded packaging materials.

- Big Rock's labour costs relating to production are primarily fixed in nature. When compared to the same periods in 2012, labour charges for the fourth quarter decreased $31, while for the year ended December 30, 2013, labour costs increased by $89. The decrease in the quarter relates to lower overtime charges while the increase for the year is due to annual salary increases.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs at December 30, 2013 increased by $113 compared to the three months ended December 30, 2012 and for the full year, overhead costs were higher by $473. The higher costs are due mainly to higher water utility charges and a refund of 2011 water utilities which was received in the first quarter of 2012.

- 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 and twelve months ended December 30, 2013, charges relating to inventory movement increased by $120 and $78, respectively, compared with the same periods last year.

- Big Rock includes depreciation charges on production equipment used to convert raw materials to finished goods as part of its cost of sales and finished goods inventory. The primary driver of changes in depreciation was inventory movement in the period.

On a per hectolitre ("hl") basis, cost of sales increased by $22.92 per hl (21.0%) for the three months ended December 30, 2013, compared to the same period in 2012. For the twelve months ended December 30, 2013, cost of sales increased by $12.46 per hl (12.8%). The fixed portion of these costs combined with lower sales volumes was one major driver of the increase. Additionally, the costs associated with the introduction of Big Rock's new proprietary-mould bottle and transition of packaging materials also caused an increase in cost of sales. These per hl costs are detailed in the following table:

Per Hectolitre Cost of Sales

	Three months ended			Twelve months ended		
	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
Net revenue	231.29	221.68	9.61	225.04	211.61	13.43
Cost of sales:						
Ingredients and packaging materials	59.03	50.91	8.12	54.10	52.82	1.28
Labour	25.66	22.52	3.14	24.28	20.21	4.07
Overhead	19.15	13.86	5.29	15.30	10.82	4.48
Inventory movement	7.76	4.01	3.75	0.57	0.13	0.44
Depreciation	20.44	17.82	2.62	15.38	13.19	2.19
Cost of sales	132.04	109.12	22.92	109.63	97.17	12.46

Selling Expenses

	Three months ended			Twelve months ended		
$ thousands	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
Selling:						
Delivery and distribution	782	816	(34)	3,314	3,870	(556)
Salaries and benefits	754	805	(51)	3,739	3,640	99
Marketing	254	307	(53)	1,158	1,078	80
Regional sales	801	1,111	(310)	3,740	4,636	(896)
Community sponsorship and other	253	166	87	959	763	196
Total selling expenses	2,844	3,205	(361)	12,910	13,987	(1,077)

For the three months ended December 30, 2013, selling expenses decreased by $361 compared with the same period last year. For the year ended December 30, 2013, selling expenses decreased by $1,077 compared to the same period last year. The decreases are a result of lower sales volumes and concerted cost management efforts. These changes are detailed as follows:

- Delivery and distribution costs decreased $34 and $556 for the three months and twelve months ended December 30, 2013 as compared to the same periods in 2012 as a result of lower overall sales volumes, primarily in BC, Ontario and the Maritimes, which are the markets with highest delivery costs.

- Salaries and benefit costs decreased by $51 for the quarter due mainly to lower headcount and lower bonus accruals, while for the year ended December 30, 2013, salaries and benefit costs increased $99 as compared to the prior year, attributed to annual salary increases and $555 of severance.

- Marketing costs decreased by $53 for the quarter due to less advertising activity. For the year ended December 30, 2013, Marketing costs increased $80 due to one-time charges of $377 relating to strategic rebranding and new product development, net of lower advertising and public relations costs.

- Regional sales expenses decreased by $310 and $896, respectively, for the quarter and year ending December 30, 2013 as compared to the same periods in 2012. These decreases were due mainly to reduced spending on sales programs, partially offset by higher commissions as a result of the transition to a different agency arrangement in Ontario, higher tastings expenditures as a result of increased focus on consumer trial and higher travel expenses due to exploring new markets.

- Community sponsorship expenses increased by $87 and $196 for the three months and year ended December 30, 2013 as compared to the same periods in 2012 as a result of new community initiatives.

On a per hectolitre basis, selling expenses increased by $2.92 per hl (4.2%) for the three months ended December 30, 2013 compared to the same period in 2012. For the year ended December 30, 2013, selling expenses increased by $5.60 per hl (8.7%). The primary drivers of these increases are the effect of lower volumes on fixed costs, such as salaries and sponsorships; and the cost of the comprehensive rebranding of Big Rock's packaging, offset by cost savings in regional sales. Additionally, delivery and distribution costs were higher on a per hl basis in the three months ended December 30, 2013 due to a refund received in the fourth quarter of 2012. These per hl costs are detailed in the following table:

Per Hectolitre Selling Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
Selling:						
Delivery and distribution costs	19.88	17.67	2.21	17.93	17.78	0.15
Salaries and benefits	19.17	17.43	1.74	20.23	16.72	3.51
Marketing	6.46	6.65	(0.19)	6.27	4.95	1.32
Regional sales	20.37	24.05	(3.68)	20.24	21.30	(1.06)
Community sponsorship and other	6.43	3.59	2.84	5.19	3.51	1.68
Selling expenses	72.31	69.39	2.92	69.86	64.26	5.60

General and Administrative Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
General and Administrative:						
Salaries and benefits	780	581	199	2,813	2,844	(31)
Professional fees	100	148	(48)	658	706	(48)
Building maintenance and taxes	128	136	(8)	506	572	(66)
Office, administrative and other	141	121	20	503	459	44
Reporting and filing fees	14	18	(4)	105	82	23
Insurance	57	60	(3)	210	211	(1)
Bank charges	3	8	(5)	26	71	(45)
Total general and administrative expenses	1,223	1,072	151	4,821	4,945	(124)

For the three months ended December 30, 2013, general and administrative expenses increased by $151 and for the year ended December 30, 2013, general and administrative expenses decreased by $124, compared with the same periods as last year, as detailed below:

- Salaries and benefit costs increased by $199 for the three months ended December 30, 2013 as compared to the same period in 2012 mainly as a result of the impact of the Corporation's share price movement on stock-based compensation expenses. The decrease of $31 on a year to date basis is due largely to severance incurred in 2012, net of salary increases in 2013.

- Professional fees, which include legal, audit, tax and accounting advisory services, decreased by $48 for the three months as well as for the year ended as a result of lower recruitment costs and advisory fees net of the cost of new product introductions and strategic initiatives.

- Building maintenance and taxes decreased primarily as a result of lower 2013 business and property taxes.

- Office, administration and other, which include IT related amounts, memberships, dues and licenses, travel and automotive costs, and corporate hospitality, increased $20 for the three months and $44 for the full year ended December 30, 2013 compared to the 2012 comparative periods.

- Reporting and filing fees declined by $4 for the three months ended December 30, 2012 compared to the same period last year. On a full year basis, report and filing fees increased by $23 as a result of higher listing fees.

- In 2013, both the fourth quarter and full year insurance costs were consistent with the same periods of 2012.

- When compared to the same periods last year, bank charges were lower as a result of higher fees incurred on the credit facility in place in 2012.

Depreciation and Amortization

	Three months ended			Twelve months ended		
	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
Depreciation included in cost of sales	804	822	(18)	2,843	2,870	(27)
Depreciation - other	72	70	2	288	279	9
Amortization	7	20	(13)	26	79	(53)
Total	883	912	(29)	3,157	3,228	(71)

For the three months and year ended December 30, 2013, depreciation expense included in cost of sales decreased by $18 and $27, respectively, compared with the same periods last year due to $609 accelerated depreciation relating to bottling line assets to be replaced as part of the transition to a proprietary-mould bottle in January 2014 and the timing of a true-up on component calculations in 2012.

For the three months and year ended December 30, 2013, other depreciation charges, which relate to non-production assets, increased by $2 as compared to the same period in 2012, while for the full year, other depreciation charges increased by $9, primarily due to asset additions in 2013.

Amortization relates to intangible assets, which include software, naming rights and website costs. Amortization expenses decreased by $13 and $53 for the three months and year ended December 30, 2013, respectively, compared with same periods of 2012. These decreases are a result of the timing of a true-up on component calculations in 2012.

Finance Costs

	Three months ended			Twelve months ended		
$ thousands (unless otherwise stated)	Dec. 30 2013	Dec. 30 2012	Change	Dec. 30 2013	Dec. 30 2012	Change
Interest on long-term debt	—	23	(23)	34	101	(67)
Interest on operating facility	(5)	1	(6)	(25)	(8)	(17)
Total finance costs	(5)	24	(29)	9	93	(84)
Weighted average effective interest rate	4.23%	4.32%		4.43%	4.30%	

The principal amount of long-term debt and bank indebtedness was $nil as at December 30, 2013 compared to $2,042 as at December 30, 2012. The interest rates applicable to all loans and borrowings are based on the lender's prime rate. The decrease in interest expense for the three months and year ended December 30, 2013 compared to the same periods last year reflects the repayment of the remaining debt balance during the year.

Other

$ thousands	Three months ended Dec. 30 2013	Dec. 30 2012	Change	Twelve months ended Dec. 30 2013	Dec. 30 2012	Change
Other income	85	85	—	285	351	(66)
Other expenses	63	47	16	109	147	(38)

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.

Income Taxes

$ thousands	Three months ended Dec. 30 2013	Dec. 30 2012	Change	Twelve months ended Dec. 30 2013	Dec. 30 2012	Change
Current income tax expense (recovery)	475	(40)	515	2,485	426	2,059
Deferred income tax expense (recovery)	(563)	291	(854)	(1,586)	1,168	(2,754)

During the three months and year ended December 30, 2013, the Corporation recorded deferred income tax recoveries of $563 and 1,586, respectively, compared to deferred income tax charges of $291 and $1,168, respectively, for the three and twelve months ended December 30, 2012. Current income tax expense increased by $515 in the three months ended December 30, 2013 and totalled $2,485 for the full year (2012 - $426). The decrease in deferred income taxes for the year ended December 30, 2013 as compared to 2012 is primarily a result of the tax effect of recognizing previously deferred partnership income, which has also resulted in a corresponding increase in current taxes.

The deferred income tax provision differs from the statutory rate of 25.19% (2012 – 25.10%) 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 30, 2012 to December 30, 2013:

$ thousands	**Increase/ (Decrease)**	**Primary factors explaining change**
Property, plant and equipment	(135)	Depreciation charge, net of asset additions and disposals
Intangible assets	(20)	Amortization charge, net of additions
Inventories	(909)	Lower finished goods inventory due to switch to proprietary-mould bottle in fourth quarter and reduced production volumes
Accounts receivable	(1,005)	Lower sales volumes
Prepaid expenses and other	390	Deposits on new equipment for Vancouver brewery
Long-term debt	(2,042)	Pay out of term loan
Deferred income taxes	(1,586)	Tax effect of changes in temporary differences due to transitional provisions on previous deferral of partnership income
Current taxes	1,527	Tax effect of changes in temporary differences due to transitional provisions on previous deferral of partnership income, net of installments
Accounts payable and accrued liabilities	122	Timing of excise tax payment
Share based payments liability	449	Increase in share appreciation rights issued and impact of increased share price in the fourth quarter.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

$ thousands (unless otherwise stated)	Dec. 30 2013	Dec. 30 2012
Bank indebtedness (cash)	(2,317)	(4,281)
Total debt	—	2,042
Shareholders' equity:		
Shareholders' capital	100,109	100,109
Contributed surplus	892	701
Accumulated deficit	(71,043)	(68,739)
Total shareholders' equity	29,958	32,071
Total capitalization (total debt plus shareholders' equity, net of cash balances)	27,641	29,832
Total debt to capitalization ratio	0.0%	6.8%

Capital Strategy

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

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

In addition, the Corporation monitors its capital using ratios of (i) earnings before interest, taxes, depreciation and amortization ("EBITDA") to long-term debt and (ii) EBITDA to interest, debt repayments and dividends. EBITDA to interest, debt repayments and dividends is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. EBITDA is a non-GAAP measure. For a reconciliation of EBITDA to net income, the nearest GAAP measure, see Financing Activities later in this MD&A.

These capital policies provide Big Rock with access to capital at a reasonable cost.

As discussed later in this MD&A, all of the borrowing facilities have financial tests and other covenants customary for these types of facilities and must be met at each reporting date.

Shareholders' Capital

	# of shares	$ Amount
As at December 30, 2012	6,068,678	100,109
Issued on exercise of stock options	—	—
As at December 30, 2013	6,068,678	100,109

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 17, 2014 there were 6,068,678 issued and outstanding shares and the closing price was $18.00 per share. Based upon 6,068,678 issued shares, the Corporation has an approximate market capitalization of $109.2 million.

Share Based Compensation Plan

On March 19, 2013, the Corporation granted 58,500 options at an exercise price of $14.95 with an expiry date of March 19, 2018. On September 13, 2013, the Corporation granted 58,500 options at an exercise price of $15.01 with an expiry date of September 13, 2018.

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:

	September 2013	March 2013	August 2012	March 2012
Weighted average fair value per option	**1.66**	1.61	1.59	1.97
Risk-free interest rate (%)	**1.83**	1.22	1.25	1.47
Expected life of the options (years)	**4**	4	4	4
Dividend rate (%)	**5.30**	5.41	5.96	5.71
Volatility in the price of the Corporation's shares (%)	**23.5**	25.3	28.1	28.5

For the three months ended December 30, 2013, $nil (2012 – $nil) of share-based compensation was recognized in the statement of comprehensive income. For the year ended December 30, 2013, share-based compensation charges of $191 (2012 - $208) 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:

	2013		2012	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Balance, beginning of year	323,000	$ 14.85	354,000	$ 15.50
Expired	(27,000)	$ 16.87	(137,000)	$ 15.62
Exercised	—	—	(11,000)	$ 11.88
Issued	117,000	$ 14.98	117,000	$ 13.51
Balance, end of year	413,000	$ 14.75	323,000	$ 14.85

The following table summarizes information about stock options outstanding and exercisable at December 30, 2013:

Exercise price	# of Options outstanding at December 30, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at December 30, 2013
$11.88 to $13.51	112,000	2.96	$ 12.78	112,000
$13.52 to $15.81	175,500	4.17	$ 14.51	175,500
$15.82 to $17.00	125,500	1.84	$ 16.87	125,500
Balance, December 30	413,000	3.14	$ 14.75	413,000

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

In March 2013, the Corporation granted SARs with an exercise price of $14.95 (to be settled in cash). In September 2013, the Corporation granted SARs with an exercise price of $15.01 (to be settled in cash). At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the balance sheet and recorded as compensation expense.

As at December 30, 2013, 214,800 SARs were outstanding (December 30, 2012 – 106,600). During the year ended December 30, 2013, 108,200 SARs were issued (2012 – 106,600), no SARs were exercised (2012 – nil) and no SARs expired (2012 – 227,000). As at December 30, 2013, the fair value of the SARs was calculated and resulted in a liability of $687 (2012 - $238) and a charge of $449 being recorded in compensation expense (2012 - $238).

At December 30, 2013, the weighted average fair value of the SARs issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	September 2013	March 2013	August 2012	March 2012
Weighted average fair value per SAR	**2.71**	2.73	3.38	4.00
Risk-free interest rate (%)	**1.56**	1.56	1.56	1.56
Expected life of the SAR (years)	**4.70**	4.22	3.59	3.21
Dividend rate (%)	**4.62**	4.62	4.62	4.62
Volatility in the price of the Corporation's shares (%)	**22.7**	22.7	22.7	22.7

Cash Flows

Operating Activities

Cash provided by operating activities for the three months ended December 30, 2013 totalled $1,441 (2012 - $2,012), a decrease of $571 compared to the same period last year. For the year ended December 30, 2013 cash provided by operating activities totalled $7,897 (2012 - $10,454), a decrease of $2,557 compared to the same period in 2012. The decrease in operating cash flows were the result of lower net income as well as deferred taxes recognized in income.

Investing Activities

For the three months and year ended December 30, 2013, capital spending, net of dispositions, was $1,125 and $2,964, respectively, compared to net additions of $161 and $1,487, respectively, for the three months and year ended December 30, 2012.

Capital spending, net of dispositions, for the year ended December 30, 2013 included $240 (2012 – $477) for new kegs, $1,279 (2012 – $226) for brewing and packaging equipment, $303 (2012 – $467) for glass containers, $109 (2012 – $135) for the purchase of new mobile equipment, $142 (2012 – $53) for the purchase of office furniture and equipment, $883 (2012 – $110) relating to building improvement, $2 (2012 - $nil) for leasehold improvements and $6 (2012 - $nil) for the purchase of intangible assets.

Financing Activities

Cash used in financing activities for the three months ended December 30, 2013 decreased by $90 compared to the same period in 2012 and for the twelve months ended December 30, 2013 increased by $1,537 compared with the same period in 2012. The difference is due to the repayment in full of Big Rock's debt facility in May 2013.

On February 14, 2013, Big Rock signed a commitment letter for a $12 million revolving operating loan facility which is available to payout previous borrowings as well as for general operating purposes and funding capital expenditure requirements. For prime-based loans, interest will be payable at the financial institution's prime plus 1.0 percent; for guaranteed notes, the acceptance fee is payable at 2.75 percent; and for letters of credit, the fee is payable at 2 percent with a minimum fee of $100. The operating loan matures after a term of 3 years and any undrawn amounts under the facility will expire on May 31, 2016, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets. With this facility in place, on May 28, 2013, the remaining balance owing on the previous term financing was paid down in full from cash on hand.

At December 30, 2013, there was no balance owing on this facility.

The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of the following financial ratios: EBITDA to long-term debt; and EBITDA to interest, debt repayments and dividends. At December 30, 2013, Big Rock was below the required threshold on the EBITDA to interest, debt repayments and dividends ratio. However, the facility was not drawn at that time and on February 28, 2014, the Corporation’s bank modified that covenant as at December 30, 2013 and through the end of 2014. Big Rock was in compliance with the modified covenant and all other covenants as at December 30, 2013 and 2012.

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

$ thousands	Dec. 30 2013	Dec. 30 2012
EBITDA	$ 6,616	$ 9,050
Deduct: Depreciation & Amortization	3,157	3,228
Earnings before interest and taxes	3,459	5,822
Deduct: Interest	9	93
Deduct: Income tax charge	899	1,594
Net income	$ 2,551	$ 4,135

Cash Dividends

Each quarter the Board of Directors sets the cash dividend per share, if any, 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 were declared by the Corporation in 2013 and 2012:

	2013			2012		
	Record Date	Payment Date	Per Share	Record Date	Payment Date	Per Unit
March	29-Mar-13	15-Apr-13	$0.20	30-Mar-12	16-Apr-12	$0.20
June	28-Jun-13	15-Jul-13	$0.20	29-Jun-12	16-Jul-12	$0.20
September	30-Sep-13	15-Oct-13	$0.20	28-Sep-12	15-Oct-12	$0.20
December	31-Dec-13	15-Jan-14	$0.20	31-Dec-12	15-Jan-13	$0.20
Total			$0.80			$0.80

Dividends for the three months and year ended December 30, 2013 totalled $1,214 ($0.20 per share) and $4,855 ($0.80 per share) respectively, compared to $1,214 ($0.20 per share) and $4,852 ($0.80 per unit, respectively, for the three months and year ended December 30, 2012. 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 $3,671 (2012 - $3,367) 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, 2013 is $nil (2012 - $670). During the fourth quarter of 2013, all Industry Standard Bottles were disposed of in favour of a proprietary-mould bottle. The new bottles began to be used in production in December 2013.

Stock-based compensation

The Corporation recognizes compensation expense on options with no cash settlement feature at time of grant as well as on changes in the fair value of any outstanding SARs at each reporting date. Stock based compensation expenses with respect to options recognized during the three months and year ended December 30, 2013 was $nil (2012 - $nil) and $191 (2012 - $208), respectively, while the expenses recognized with respect to SARs during the three months and year ended December 30, 2013 was $276 (2012 - $56) and $449 (2012 - $238), 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 revenues.

RISKS RELATED TO THE BUSINESS AND INDUSTRY

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

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

With the large choice of craft brands now available, and the advertising initiatives of pseudo-craft divisions of the major breweries, it is likely that competitive pressures on price will continue. As a result, the selling price may vary more frequently; however, Big Rock believes it is in an excellent position to improve return on sales.

Big Rock requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. In Alberta, Big Rock's largest market, the Alberta Gaming and Liquor Commission provides the necessary licensing approvals. Other licenses have been obtained from various other government authorities. Management believes that Big Rock is in compliance with all licenses, permits, and approvals.

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

In 2012, the Alberta government commenced a review of its mark-up rates, but no changes to existing regulations have yet been announced. As Alberta is Big Rock's predominant market, any changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

Financial Risk

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

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

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Corporation incurring a financial loss.

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

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

Liquidity Risk

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

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

Commodity Price Risk

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

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

Interest Rate Risk

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

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

The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation's long-term debt does not change as interest rates change.

The weighted average interest rate incurred by the Corporation in the three months and year ended December 30, 2013 was 4.23% (2012 – 4.32%) and 4.43% (2012 – 4.30%), respectively.

Foreign Exchange Risk

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

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

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 17, 2014 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 Chairman of the Board, to provide marketing consulting to the Corporation in the normal course of business. The consulting services provided the Corporation with specialized marketing expertise. The expense recognized for the year ended December 30, 2012 was nil (2012 - $36). As at December 30, 2013 no amounts were owing to the consultant.

In January 2012, a company controlled by the Chairman of Big Rock commenced providing temporary general labour services to the Corporation in the normal course of business. These services serve to supplement the workforce during staff shortage periods. The value of the transactions for the year ended December 30, 2013 was nil (2012 - $10). As at December 30, 2013 no amounts were owing to the related party.

All amounts have been recorded at the exchange amount.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

As at December 30, 2013, 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 third quarter of 2013, Big Rock entered into an agreement for the purchase of furniture for a total cost of approximately $59, of which $30 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 2014.

- In the fourth quarter of 2013, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $127, of which $63 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 2014.

- In the fourth quarter of 2013, Big Rock entered into an agreement for the purchase of machinery and equipment for Big Rock's new Vancouver brewery for a total cost of approximately $754, of which $403 was payable at December 30. This machinery and equipment, which will be used in the normal course of business, is expected to be received during the second quarter of 2014.

- Big Rock has a contract for the supply of malt barley through December 2015 at a fixed price of $545 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.

- Big Rock has signed a contract for the supply of specialty malt through 2014 at a fixed price of $818 per metric tonne. The malt will be used in the brewery's normal course of business, and delivered, as needed over the calendar year 2014, in quantities to ensure production targets are met.

- In August 2010, Big Rock 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 December 2013, Big Rock renewed an operating lease for premises in Edmonton in the amount of $2 per month for a period of 5 years.

The Corporation has received various government grants, which have certain terms and conditions, as disclosed in note 3 of the financial statements. 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, 2013 and 2012, no such violations have occurred; consequently no provision for repayment has been included in the financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS Policies

The Corporation's consolidated financial statements as at and for the years ended December 30, 2013, and 2012 have been prepared using the IFRS standards and interpretations currently issued. Accounting policies currently adopted under IFRS are subject to change as a result of new standards being issued with an effective date of December 30, 2013 or prior. A change in an accounting policy used may result in material changes to Big Rock's reported financial position, results of operations and cash flows.

Change in accounting policies

Big Rock has adopted the following new and revised standards, along with all consequential amendments, effective December 31, 2012. These changes are made in accordance with the applicable transitional provisions.

- 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 only applies when an entity prepares separate financial statements for its interests in subsidiaries, joint ventures and associates. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Big Rock has concluded that the adoption of IFRS 10 did not result in any change in the consolidation status of its wholly-owned subsidiaries, Big Rock Brewery Operations Corp. and Big Rock Brewery Limited Partnership.

- IFRS 11 *Joint Arrangements* provides definitions for control as well as significant influence and describes how an entity may choose to conduct its business through strategic investments in other entities. Since there are no entities over which Big Rock has control, other than 100% subsidiaries, the adoption of IFRS 11 did not result in any measurement changes or adjustments to current or prior periods.

- IFRS 12 *Disclosure of Interests in Other Entities* provides guidance on the disclosure requirements for subsidiaries, joint arrangements, associates and consolidated and unconsolidated structured entities. Since there are no entities over which Big Rock has control, other than 100% subsidiaries, and no significant restrictions on the group's ability to use assets or settle liabilities within the group, there are no additional judgement and assumption disclosures required either in terms of accounting policies or additional notes. The adoption of IFRS 12 did not result in any measurement changes or adjustments to current or prior periods.

- IFRS 13 *Fair Value Measurement*, required to be applied prospectively, provides a consistent definition of fair value and introduces consistent requirements for disclosures related to fair value measurement. There has been no change to Big Rock's methodology for determining the fair value of its financial assets and liabilities and, accordingly, the adoption of IFRS 13 did not result in any measurement changes or adjustments as at December 31, 2012.

- IAS 28 *Investments in Associates and Joint Ventures (amended in 2011)* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. As mentioned in the above policies, Big Rock has no control arrangements other than 100% subsidiaries and, as such, the adoption of IAS 28 did not result in any measurement changes or adjustments as at December 31, 2012.

Future accounting pronouncements

The IASB has issued the following pronouncements:

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments include clarification of the meaning of "currently has a legally enforceable right to set-off" and may change assets and liabilities eligible for net presentation.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments delete the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB added two disclosure requirements: to provide additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal and to provide information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2015. The amended standard requires classification of financial assets on the basis of the reporting entity's business model objectives for managing those financial assets and the characteristics of the contractual cash flows. As a result, both the classification and measurement of certain financial assets may change. Additionally, for liabilities designated at fair value through profit and loss, fair value changes attributable to changes in credit risk will be presented through other comprehensive income instead of net income.

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

DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management under the supervision of, and with the participation of, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under National Instrument 52 – 109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of December 30, 2013.

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, 2013, 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, 2013, the CEO and CFO have concluded that the Corporation's ICFR were effective as at that date. No material weaknesses existed within the Corporation's ICFR as of December 30, 2013. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

OUTLOOK

As part of a strategic plan to prioritize high-margin innovative new beers and to maximize profitability of existing products, Big Rock has continued to reduce the use of volume-inducing limited-time offer which has led to a decrease in volumes for the quarter and year ended December 30, 2013 as compared to the same periods in 2012. Competition continues to intensify at the value-priced end of the beer spectrum, but is also increasing for premium craft beer, particularly in Alberta, which, unlike most other Canadian jurisdictions, has relatively few barriers to entry for out-of-province producers.

In response to consumer-driven demand, management will continue to invest in targeted marketing opportunities to create brand awareness and to emphasize the innovation program, which will provide additional great beers to the Big Rock portfolio. At the same time, management has sharpened its focus on increased return on sales rather than increased volume growth. Through reductions in the extent of promotional pricing activities and other initiatives, volumes may continue to decline but profits should increase over the longer term.

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:

- intention to continue to pay quarterly dividends;
- 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:

- financial performance and capital plans will not affect the ability to pay dividends;
- 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 Annual Information Form for the year ended December 30, 2013 (as filed on SEDAR on March 17, 2014). 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, 2013, 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.

Financial Statements

Management's Responsibility for Financial Reporting

March 17, 2014

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
President and Chief Executive Officer

Barbara Feit
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Big Rock Brewery Inc.

We have audited the accompanying consolidated financial statements of Big Rock Brewery Inc., which comprise the consolidated statements of financial position as at December 30, 2013 and 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

Calgary, Canada
March 17, 2014

Chartered Accountants

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

	Year ended December 30, 2013	Year ended December 30, 2012
Net revenue (Notes 3.2 and 4)	$ 41,587	$ 46,057
Cost of sales (Notes 5 and 24)	20,260	21,149
Gross profit	21,327	24,908
Expenses		
Selling expenses (Notes 6 and 23)	12,910	13,987
General and administrative (Notes 7 and 24)	4,821	4,945
Depreciation and amortization	314	358
Operating expenses	18,045	19,290
Operating profit	3,282	5,618
Finance costs (Note 8)	9	93
Other income	286	351
Other expenses	109	147
Income before income taxes	3,450	5,729
Current income tax expense (Note 9)	2,485	426
Deferred income tax expense (recovery) (Note 9)	(1,586)	1,168
Net income and comprehensive income for the period	$ 2,551	$ 4,135

Net income per share (Note 10)		
Basic and diluted	$ 0.42	$ 0.68

See accompanying notes to the consolidated financial statements

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

	December 30, 2013	December 30, 2012
ASSETS		
Non-current assets		
Property, plant and equipment (Note 11)	$ 35,142	$ 35,277
Intangible assets (Note 12)	108	128
	35,250	35,405
Current		
Inventories (Note 13)	2,983	3,892
Accounts receivable (Notes 14 and 22)	1,353	2,358
Prepaid expenses and other (Note 15)	754	364
Cash	2,317	4,281
	7,407	10,895
Total assets	$ 42,657	$ 46,300
LIABILITIES AND SHAREHOLDERS' EQUITY		
EQUITY		
Shareholders' capital (Note 16)	$ 100,109	$ 100,109
Contributed surplus (Notes 16 and 17)	892	701
Accumulated deficit	(71,043)	(68,739)
	29,958	32,071
LIABILITIES		
Non-current		
Long term debt (Notes 18 and 22)	—	1,342
Share-based payments (Note 17)	687	238
Deferred income taxes (Note 9)	4,745	6,331
	5,432	7,911
Current		
Accounts payable and accrued liabilities (Notes 19 and 22)	4,100	3,978
Dividends payable (Notes 20 and 22)	1,214	1,214
Current portion of long-term debt (Notes 18 and 22)	—	700
Current taxes payable (Note 9)	1,953	426
	7,267	6,318
Commitments (Note 26)		
Total liabilities and shareholders' equity	$ 42,657	$ 46,300

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Edward E. McNally
Director

Michael G. Kohut
Director

BIG ROCK BREWERY INC.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

	Year ended	
	December 30, 2013	December 30, 2012
OPERATING ACTIVITIES		
Net income for the period	$ 2,551	$ 4,135
Items not affecting cash:		
Depreciation and amortization	3,157	3,228
Gain on sale of assets	(13)	(19)
Stock-based compensation	640	446
Deferred income tax expense (recovery)	(1,586)	1,168
Net change in non-cash working capital related to operations (note 25)	3,148	1,496
Cash provided by operating activities	7,897	10,454
FINANCING ACTIVITIES		
Dividend payments	(4,855)	(4,850)
Principal repayments of long-term debt	(2,042)	(641)
Cash received on exercise of options	—	131
Cash used in financing activities	(6,897)	(5,360)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,992)	(1,487)
Purchase of intangibles	(6)	—
Proceeds from sale of equipment	34	19
Cash used in investing activities	(2,964)	(1,468)
Net increase (decrease) in cash	(1,964)	3,626
Cash, beginning of year	4,281	655
Cash, end of year	$ 2,317	$ 4,281

Supplemental cash-flow information		
Cash interest paid	$ 52	$ 103
Cash taxes paid	958	—

See accompanying notes to the condensed consolidated financial statements

BIG ROCK BREWERY INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2011	$ 99,954	$ 517	$ (68,022)	$ 32,449
Stock options exercised	155	(24)	—	131
Share-based payments	—	208	—	208
Total comprehensive income for the year ended December 30, 2012	—	—	4,135	4,135
Dividends declared for year ended December 30, 2012 (Note 20)	—	—	(4,852)	(4,852)
Balance as at December 30, 2012	100,109	701	(68,739)	32,071
Stock options exercised	—	—	—	—
Share-based payments	—	191	—	191
Total comprehensive income for the year ended December 30, 2013	—	—	2,551	2,551
Dividends declared for the year ended December 30, 2013 (Note 20)	—	—	(4,855)	(4,855)
Balance as at December 30, 2013	$ 100,109	$ 892	$ (71,043)	$ 29,958

See accompanying notes to the consolidated financial statements

(In thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

Big Rock Brewery Inc. ("Big Rock" or the "Corporation") is a publicly listed corporation incorporated in Canada with limited liability under the legislation of the Province of Alberta. Its shares are listed on the Toronto Stock Exchange and trade under the symbol "BR".

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of presentation

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

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

2.3 Change in accounting policies

Big Rock has adopted the following new and revised standards, along with all consequential amendments, effective December 31, 2012. These changes are made in accordance with the applicable transitional provisions.

- 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 only applies when an entity prepares separate financial statements for its interests in subsidiaries, joint ventures and associates. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Big Rock has concluded that the adoption of IFRS 10 and IAS 27 did not result in any change in the consolidation status of its wholly-owned subsidiaries, Big Rock Brewery Operations Corp. and Big Rock Brewery Limited Partnership.

- IFRS 11 *Joint Arrangements* provides definitions for control as well as significant influence and describes how an entity may choose to conduct its business through strategic investments in other entities. Since there are no entities over which Big Rock has control, other than 100% subsidiaries, the adoption of IFRS 11 did not result in any measurement changes or adjustments to current or prior periods.

- IFRS 12 *Disclosure of Interests in Other Entities* provides guidance on the disclosure requirements for subsidiaries, joint arrangements, associates and consolidated and unconsolidated structured entities. Since there are no entities over which Big Rock has control, other than 100% subsidiaries, and no significant restrictions on the group's ability to use assets or settle liabilities within the group, there are no additional judgment and assumption disclosures required either in terms of accounting policies or additional notes. The adoption of IFRS 12 did not result in any measurement changes or adjustments to current or prior periods.

- IFRS 13 *Fair Value Measurement*, required to be applied prospectively, provides a consistent definition of fair value and introduces consistent requirements for disclosures related to fair value measurement. There has been no change to Big Rock's methodology for determining the fair value of its financial assets and liabilities and, accordingly, the adoption of IFRS 13 did not result in any measurement changes or adjustments as at December 31, 2012.

- IAS 28 *Investments in Associates and Joint Ventures (amended in 2011)* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. As mentioned in the above policies, Big Rock has no control arrangements other than 100% subsidiaries and, as such, the adoption of IAS 28 did not result in any measurement changes or adjustments as at December 31, 2012.

2.4 Future accounting pronouncements

The IASB has issued the following pronouncements:

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments include clarification of the meaning of "currently has a legally enforceable right to set-off" and may change assets and liabilities eligible for net presentation.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* have been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2014. These amendments delete the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB added two disclosure requirements: to provide additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal and to provide information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2015. The amended standard requires classification of financial assets on the basis of the reporting entity's business model objectives for managing those financial assets and the characteristics of the contractual cash flows. As a result, both the classification and measurement of certain financial assets may change. Additionally, for liabilities designated at fair value through profit and loss, fair value changes attributable to changes in credit risk will be presented through other comprehensive income instead of net income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments and estimates

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

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

Significant judgments

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

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

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

Assumptions and critical estimates

Keg deposit liability
In determining the liability for return of keg deposits, Big Rock estimates that a portion of circulating kegs will never be returned for refund. Big Rock estimates that approximately 98.9% of kegs are returned for refund in each turn of inventory. Management recognises a liability for one turn plus an additional amount, estimated as 10% of one turn, for very old kegs.

As at December 30, 2013, a balance of $247 (2012 - $235) was included in Accounts payable and Accrued liabilities in respect of the keg deposit liability.

Sensitivity analysis
An increase in the quantity of old kegs returned of 10% of one turn would result in an additional liability and charge to net income of $19.

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

Sensitivity analysis
A 10% decrease in useful lives of Big Rock's property, plant and equipment would result in an additional charge to net income of $33.

3.2 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.

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

3.3 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, 2013 Big Rock received government assistance relating to operating expenses in the amount of $nil (2012 - $32).

3.4 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.

3.5 Inventories

Big Rock categorizes inventories as raw materials (materials and supplies to be consumed in the production process), brews in progress (in the process of production for sale), finished product (held for sale in the ordinary course of business), consignment product (consigned to provincial warehouses for sale) and resale goods (to be sold in the ordinary course of business in the dry-goods store).
Inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost method.

(In thousands of Canadian dollars, unless otherwise stated)

3.6 Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, any costs directly attributable to 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	10 years

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

In December 2012, Big Rock formally gave notice that it would be exiting the Industry Standard Bottle ("ISB") program effective December 2013. All remaining returnable glass containers were fully depreciated over the 12 month notice period and were disposed in December 2013.

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 and useful lives being used for PP&E and any changes arising from the assessment are applied by the Corporation prospectively.

3.7 Intangible assets

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

Amortization is provided at rates calculated to write off the cost of intangible assets, less 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.

3.8 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") or for equity-linked cash payments ("cash-settled transactions").

Equity-settled transactions

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

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

Cash-settled transactions

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

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

3.9 Taxation

Current income tax

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

3.10 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.

3.11 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.

3.12 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 except for losses in value that are considered other than temporary. At December 30, 2013, 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.

3.13 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.

3.14 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.

3.15 Provisions

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

3.16 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.

(In thousands of Canadian dollars, unless otherwise stated)

4. REVENUE

	Year ended Dec. 30 2013	Dec. 30 2012
Gross Product Revenue	$ 52,311	$ 58,750
Excise Taxes	(4,467)	(5,416)
Alberta Gaming and Liquor Commission ("AGLC") Commissions	(6,257)	(7,277)
Net Revenue	$ 41,587	$ 46,057

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.

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 2013	Dec. 30 2012
Operating expenses	$ 17,417	$ 18,279
Depreciation and amortization	2,843	2,870
Cost of sales	$ 20,260	$ 21,149

6. SELLING EXPENSES

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

	Year ended Dec. 30 2013	Dec. 30 2012
Delivery and distribution costs	$ 3,314	$ 3,870
Salaries and benefits	3,739	3,640
Trade marketing	1,158	1,078
Regional sales	3,740	4,636
Community sponsorship and other	959	763
Selling expenses	$ 12,910	$ 13,987

(In thousands of Canadian dollars, unless otherwise stated)

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year ended Dec. 30 2013	Dec. 30 2012
Salaries and benefits [1]	$ 2,813	$ 2,844
Professional fees	658	706
Reporting and filing fees	105	82
Insurance	210	211
Building maintenance and taxes	506	572
Bank charges	26	71
Office, administrative and other	503	459
General and administrative expenses	$ 4,821	$ 4,945

[1] Salaries and benefits included stock option expense of $191 (2012 - $208) and stock appreciation right expense (non-cash charges) of $449 (2012 – $238).

8. FINANCE COSTS

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

	Year ended Dec. 30 2013	Dec. 30 2012
Interest on long-term debt	$ 34	$ 101
Interest on operating facility	(25)	(8)
Finance costs	$ 9	$ 93

9. INCOME TAXES

Income tax expense is comprised of the following:

	Year ended Dec. 30 2013	Dec. 30 2012
Current tax expense	$ 2,485	$ 426
Deferred tax expense (recovery)	(1,586)	1,168
Income tax expense	$ 899	$ 1,594

The following table reconciles the theoretical income tax expense using a weighted average Canadian federal and provincial rate of 25.19% (2012 – 25.10%) to the reported tax expense. The rate increase is due to the BC provincial rate change from 10% in 2012 to 11% in 2013. The reconciling items represent, aside from the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements, in accordance with IFRS.

(In thousands of Canadian dollars, unless otherwise stated)

	Year ended Dec. 30 2013	Dec. 30 2012
Income before income taxes	$ 3,450	$ 5,729
Income tax expense at statutory rate of 25.19% (2012 – 25.10%)	869	1,438
Effect on taxes of:		
Stock-based compensation expenses	48	112
Non-deductible expenses	20	20
True-up of opening timing differences	(54)	22
Impact of rate change on temporary differences	22	5
Other	(6)	(3)
Income tax expense	$ 899	$ 1,594

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

	Property, plant and equipment	Share issue costs	Deferral of partnership income	Other	Total
As at December 30, 2012	$ 4,640	$ (34)	$ 1,747	$ (22)	$ 6,331
Charged/(credited) to the Statement of comprehensive income	(120)	14	(1,306)	(174)	(1,586)
As at December 30, 2013	$ 4,520	$ (20)	$ 441	$ (196)	$ 4,745

10. INCOME PER SHARE

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

Basic	Year ended Dec. 30 2013	Dec. 30 2012
Net income	$ 2,551	$ 4,135
Shares outstanding, beginning of the year	6,068,678	6,057,678
Weighted average # of shares issued during the year	—	5,940
Basic # shares outstanding during the year	6,068,678	6,063,618
Basic income per share	$ 0.42	$ 0.68

Diluted	Year ended Dec. 30 2013	Dec. 30 2012
Net income	$ 2,551	$ 4,135
Basic # shares outstanding during the year	6,068,678	6,063,618
Weighted average # of shares issuable on dilutive options, during the year	29,675	7,739
Diluted # shares outstanding during the year	6,098,353	6,071,357
Diluted income per share	$ 0.42	$ 0.68

BIG ROCK BREWERY INC.
Notes to the Consolidated Financial Statements
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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 December 30, 2011	$ 8,365	$ 10,960	$ 20,574	$ 624	$ 357	$ 212	$ 1,929	$ 43,021
Additions	—	110	226	154	53	—	944	1,487
Disposals	—	—	—	(133)	—	—	—	(133)
As at December 30, 2012	8,365	11,070	20,800	645	410	212	2,873	44,375
Additions	—	883	1,279	143	142	2	543	2,992
Disposals	—	—	—	(125)	—	—	(2,088)	(2,213)
As at December 30, 2013	$ 8,365	$ 11,953	$ 22,079	$ 663	$ 552	$ 214	$ 1,328	$ 45,154

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable containers	Total
Accumulated depreciation								
As at December 30, 2011	—	$ 550	$ 4,597	$ 103	$ 89	$ 30	$ 778	$ 6,147
Charge for the year	—	277	1,883	179	51	16	678	3,084
Eliminated on disposals	—	—	—	(133)	—	—	—	(133)
As at December 30, 2012	—	827	6,480	149	140	46	1,456	9,098
Charge for the year	—	281	1,463	192	52	15	1,103	3,106
Eliminated on disposals	—	—	—	(104)	—	—	(2,088)	(2,192)
As at December 30, 2013	—	$ 1,108	$ 7,943	$ 237	$ 192	$ 61	$ 471	$ 10,012

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable containers	Total
Net book value								
As at December 30, 2012	$ 8,365	$ 10,243	$ 14,320	$ 496	$ 270	$ 166	$ 1,417	$ 35,277
As at December 30, 2013	$ 8,365	$ 10,845	$ 14,136	$ 426	$ 360	$ 153	$ 857	$ 35,142

For the years ended December 30, 2013 and 2012, 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.

(In thousands of Canadian dollars, unless otherwise stated)

12. INTANGIBLE ASSETS

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

	Computer software	Intellectual property	Website costs	Total
Cost				
As at December 30, 2011	$ 171	$ 170	$ 22	$ 363
Additions	—	—	—	—
As at December 30, 2012	171	170	22	363
Additions	6	—	—	6
As at December 30, 2013	$ 177	$ 170	$ 22	$ 369

	Computer software	Intellectual property	Website costs	Total
Accumulated amortization				
As at December 30, 2011	$ 112	$ 38	$ 6	$ 156
Charge for the year	57	19	3	79
As at December 30, 2012	169	57	9	235
Charge for the year	4	19	3	26
As at December 30, 2013	$ 173	$ 76	$ 12	$ 261

	Computer software	Intellectual property	Website costs	Total
Net book value				
As at December 30, 2012	$ 2	$ 113	$ 13	$ 128
As at December 30, 2013	$ 4	$ 94	$ 10	$ 108

For the years ended December 30, 2013 and 2012, 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 2013	Dec. 30 2012
Raw materials and returnable glass containers	$ 739	$ 1,262
Brews in progress	754	726
Finished product	1,384	1,819
Consignment product	64	65
Dry goods store (resale goods)	42	20
Total Inventories	$ 2,983	$ 3,892

During the year ended December 30, 2013, charges were recorded to income relating to obsolete, damaged or unsellable packaging inventory of $307 (2012 - $45) and relating to promotional and resale goods and damaged finished goods inventory of $191 (2012 - $146).

There were no reversals of amounts previously charged to income in respect of write-downs of inventory for the years ended December 30, 2013 and 2012.

Finished goods inventory includes $166 (2012 – $191) of depreciation charges on production equipment used to convert raw materials to finished goods.

(In thousands of Canadian dollars, unless otherwise stated)

14. ACCOUNTS RECEIVABLE

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

	Dec. 30 2013	Dec. 30 2012
Provincial liquor boards	$ 1,117	$ 2,121
Supplier rebates	—	98
Other receivables	236	139
Total accounts receivable	$ 1,353	$ 2,358

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

	Dec. 30 2013	Dec. 30 2012
Less than 30 days	$ 1,132	$ 2,224
30 – 60 days	192	130
60 – 90 days	1	—
Over 90 days	28	4
Total accounts receivable	$ 1,353	$ 2,358

The Corporation holds no collateral for any receivable amounts outstanding as at December 30, 2013.

15. PREPAID EXPENSES AND DEPOSITS

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

	Dec. 30 2013	Dec. 30 2012
Community sponsorship	$ 38	$ 83
Prepaid insurance	84	85
Equipment deposits, rental and maintenance	523	58
Commissions	—	18
Promotional materials	94	114
Other	15	6
Total Prepaid expenses and other	$ 754	$ 364

16. SHARE CAPITAL

	December 30, 2013		December 30, 2012	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding at beginning of year	6,068,678	100,109	6,057,678	99,954
Shares issued upon exercise of options	—	—	11,000	155
Outstanding at end of year	6,068,678	100,109	6,068,678	100,109

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

(In thousands of Canadian dollars, unless otherwise stated)

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 volume weighted average closing price for the five days preceding the date of grant. The Compensation Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements—including the terms of the option plan. The Corporation is authorized to issue options for a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan.

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

On March 19, 2013, the Corporation granted 58,500 options at an exercise price of $14.95 with an expiry date of March 19, 2018. On September 13, 2013, the Corporation granted 58,500 options at an exercise price of $15.01 with an expiry date of September 13, 2018.

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

	September 2013	March 2013	August 2012	March 2012
Weighted average fair value per option	**1.66**	1.61	1.59	1.97
Risk-free interest rate (%)	**1.83**	1.22	1.25	1.47
Expected life of the options (years)	**4**	4	4	4
Dividend rate (%)	**5.30**	5.41	5.96	5.71
Volatility in the price of the Corporation's shares (%)	**23.5**	25.3	28.1	28.5

A share-based compensation charge of $191 for the options granted during the year ended December 30, 2013 (2012 - $208) 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

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

In March 2013, the Corporation granted SARs with an exercise price of $14.95 (to be settled in cash). In September 2013, the Corporation granted SARs with an exercise price of $15.01 (to be settled in cash). At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the balance sheet and recorded as compensation expense.

As at December 30, 2013, 214,800 SARs were outstanding (December 30, 2012 – 106,600). During the year ended December 30, 2013, 108,200 SARs were issued (2012 – 106,600), no SARs were exercised (2012 – nil) and no SARs expired (2012 – 227,000). As at December 30, 2013, the fair value of the SARs was calculated and resulted in a liability of $687 (2012 - $238) and a charge of $449 being recorded in general and administrative expenses (2012 - $238).

(In thousands of Canadian dollars, unless otherwise stated)

At December 30, 2013, the weighted average fair value of the SARs issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	September 2013	March 2013	August 2012	March 2012
Weighted average fair value per SAR	**2.71**	2.73	3.38	4.00
Risk-free interest rate (%)	**1.56**	1.56	1.56	1.56
Expected life of the SAR (years)	**4.70**	4.22	3.59	3.21
Dividend rate (%)	**4.62**	4.62	4.62	4.62
Volatility in the price of the Corporation's shares (%)	**22.7**	22.7	22.7	22.7

17.3 Outstanding stock options

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

	2013		2012	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Balance, beginning of year	323,000	$ 14.85	354,000	$ 15.50
Expired	(27,000)	$ 16.87	(137,000)	$ 15.62
Exercised	—	—	(11,000)	$ 11.88
Issued	117,000	$ 14.98	117,000	$ 13.51
Balance, end of year	413,000	$ 14.75	323,000	$ 14.85

The following table summarizes information about stock options outstanding and exercisable at December 30, 2013:

Exercise price	# of Options outstanding at December 30, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at December 30, 2013
$11.88 to $13.51	112,000	2.96	$ 12.78	112,000
$13.52 to $15.81	175,500	4.17	$ 14.51	175,500
$15.82 to $17.00	125,500	1.84	$ 16.87	125,500
Balance, December 30	413,000	3.14	$ 14.75	413,000

18. BANK INDEBTEDNESS AND LONG-TERM DEBT

18.1 Operating facility

On February 14, 2013, Big Rock signed a commitment letter for a $12 million revolving operating loan facility which is available to payout previous borrowings as well as for general operating purposes and funding capital expenditure requirements. For prime-based loans, interest will be payable at the financial institution's prime plus 1.0 percent; for guaranteed notes, the acceptance fee is payable at 2.75 percent; and for letters of credit, the fee is payable at 2 percent with a minimum fee of $100. The operating loan matures after a term of 3 years and any undrawn amounts under the facility will expire on May 31, 2016, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial ratios. As at December 30, 2013, Big Rock was below the required threshold on one of its financial covenants. However, the facility was not drawn at that time and on February 28, 2014 the Corporation's bank modified that covenant as at December 30, 2013 and through the end of 2014. Big Rock was in compliance with the modified covenant and all other covenants as at December 30, 2013 and 2012. As at December 30, 2013, no balance (December 30, 2012 - nil) was outstanding on the facility.

(In thousands of Canadian dollars, unless otherwise stated)

18.2 Long-term debt and credit facility

On October 28, 2010, the Corporation renewed its previous term financing for a period of five years. The loan was repayable in monthly instalments of approximately $58 plus interest at ATB's prime plus 1.25 per cent. On May 28, 2013, the remaining balance owing on the term financing was paid down in full in accordance with the provisions of the $12 million revolving operating loan facility described above.

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 2013	Dec. 30 2012
Less than 30 days	$ 4,096	$ 3,551
30 – 60 days	—	30
60 – 90 days	—	26
Over 90 days	4	371
Total accounts payable and accrued liabilities	$ 4,100	$ 3,978

20. DIVIDENDS PAYABLE

Big Rock declared dividends during the year ended December 30, 2013 in the amount of $4,855 ($0.80 per share) compared to $4,852 ($0.80 per unit) for the same period in 2012. Dividends were paid on April 15, July 15, and October 15 of 2013 and January 15, 2014.

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.

(In thousands of Canadian dollars, unless otherwise stated)

	Dec. 30 2013	Dec. 30 2012
Bank indebtedness (cash)	$ (2,317)	$ (4,281)
Total debt	—	2,042
Shareholders' equity:		
Shareholders' capital	100,109	100,109
Contributed surplus	892	701
Accumulated deficit	(71,043)	(68,739)
Total shareholders' equity	29,958	32,071
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 27,641	$ 29,832

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

In addition, the Corporation monitors its capital using ratios of (i) earnings before interest, taxes, depreciation and amortization ("EBITDA") to long-term debt and (ii) EBITDA to interest, debt repayments and dividends. EBITDA to interest, debt repayments and dividends is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA.

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.

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, 2013 of $1 (2012 – $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, 2013 was 4.43% (2012 – 4.30%).

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, 2013 would be affected by $nil (2012 – $11).

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.

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.

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

In 2012, the Alberta government commenced a review of its mark-up rates, but no changes to existing regulations have yet been announced. As Alberta is Big Rock's predominant market, any changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

(In thousands of Canadian dollars, unless otherwise stated)

23. RELATED PARTY TRANSACTIONS

Related party transactions are included in selling expenses and relate to the engagement of a consultant, related to the Chairman of the Board, to provide marketing consulting to the Corporation in the normal course of business. The consulting services provided the Corporation with specialized marketing expertise. The expense recognized for the year ended December 30, 2013 was nil (2012 - $36). As at December 30, 2013 no amounts were owing to the consultant.

In January 2012, a company controlled by the Chairman of Big Rock commenced providing temporary general labour services to the Corporation in the normal course of business. These services serve to supplement the workforce during staff shortage periods. The value of the transactions for the year ended December 30, 2013 was nil (2012 - $10). As at December 30, 2013 no amounts were owing to the related party.

All amounts 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 cost of sales and general and administrative expenses, is as follows:

	Year ended Dec. 30 2013	Year ended Dec. 30 2012
Salaries and other short-term benefits	$ 707	$ 721
Bonuses	164	188
Stock-based compensation	327	347
Total compensation	$ 1,198	$ 1,256

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

25. CHANGE IN NON-CASH WORKING CAPITAL

	Year ended Dec. 30 2013	Year ended Dec. 30 2012
Accounts payable and accrued liabilities	$ 1,649	$ 741
Inventory	884	472
Accounts receivable	1,005	430
Prepaid expenses	(390)	(147)
Total change in non-cash working capital	$ 3,148	$ 1,496

26. COMMITMENTS FOR EXPENDITURE

As at December 30, 2013, 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 third quarter of 2013, Big Rock entered into an agreement for the purchase of furniture for a total cost of approximately $59, of which $30 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 2014.

- In the fourth quarter of 2013, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $127, of which $63 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 2014.

- In the fourth quarter of 2013, Big Rock entered into an agreement for the purchase of machinery and equipment for Big Rock's new Vancouver brewery for a total cost of approximately $754, of which $403 was payable at December 30. This machinery and equipment, which will be used in the normal course of business, is expected to be received during the second quarter of 2014.

- Big Rock has a contract for the supply of malt barley through December 2015 at a fixed price of $545 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.

- Big Rock has signed a contract for the supply of specialty malt through 2014 at a fixed price of $818 per metric tonne. The malt will be used in the brewery's normal course of business, and delivered, as needed over the calendar year 2014, in quantities to ensure production targets are met.

- In August 2010, Big Rock 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 December 2013, Big Rock renewed an operating lease for premises in Edmonton in the amount of $2 per month for a period of five years.

The Corporation has received various government grants, which have certain terms and conditions, as disclosed in note 3. 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, 2013 and 2012, no such violations have occurred; consequently no provision for repayment has been included in the financial statements.

27. SUBSEQUENT EVENTS

In February 2014, Big Rock entered into an operating lease for premises in Vancouver in the amount of $24 per month for a period of 10 years.

On March 17, 2014 the Board of Directors approved a dividend payable to shareholders of record as at March 31, 2014 in the amount of $0.20 per share. The dividend will be paid on April 15, 2014.

On March 17, 2014 the Corporation granted 58,500 stock options and 53,900 share appreciation rights to officers, employees and directors at an exercise price of $18.06 with an expiry date of March 17, 2019. These grants 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, 2013 were approved and authorized for issue by the Board of Directors on March 17, 2014.

Corporate Information

Directors

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Calgary, Alberta

John Hartley
Businessman
Calgary, Alberta

Michael G. Kohut
Chief Financial Officer
Trilogy Energy Trust
Calgary, Alberta

Kathleen McNally-Leitch
Administrator
University of Calgary Lecture Series
Calgary, Alberta

Robert G.Peters
Chairman
Black Diamond Land & Cattle Ltd.
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Jim Riddell
President & Chief Operating Officer
Paramount Resources Ltd.
Calgary, Alberta

Jay Peters
President
J. Peters & Company Inc.
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Officers and Senior Personnel

Robert Sartor
President & Chief Executive Officer

Barbara Feit
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