QUARTERLY REPORT

THIRD QUARTER 2017 HIGHLIGHTS

$000, except hl and per share amounts	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Sales volumes (hectolitres or "hl")	57,075	54,237	162,255	152,461
Net revenue	$ 12,399	$ 11,669	$ 35,484	$ 32,687
Operating income (loss)	(159)	416	(1,070)	(46)
Net income (loss)	(179)	234	(879)	(166)
Income (loss) per share (basic and diluted)	$ (0.03)	$ 0.03	$ (0.13)	$ (0.02)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Big Rock Brewery Inc. ("the Corporation" or "Big Rock") for the three and nine months ended September 30, 2017, as compared to the same period in 2016.

This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Corporation and accompanying notes as at and for the three and nine months ended September 30, 2017 (the "Financial Statements") and the December 30, 2016 audited consolidated financial statements and MD&A contained within Big Rock's 2016 Annual Report. The financial statements have been prepared using International Financial Reporting Standards ("IFRS"). All amounts are reported in thousands of Canadian dollars unless otherwise noted. Additional information about the Corporation, including the Annual Information Form for the year ended December 30, 2016, can be found on SEDAR at www.sedar.com and on Big Rock's corporate website at www.bigrockbeer.com. Readers should also read the "Forward-Looking Information" contained at the end of this document. This MD&A is dated November 2, 2017.

CORPORATE PROFILE

Big Rock Brewery — headquartered in Calgary, Alberta — produces premium, all-natural craft beers and ciders. As Canada's largest independently owned craft brewer, Big Rock has a broad family of permanent ales and lagers, the Rock Creek series of craft ciders, and a continually changing selection of seasonal and limited-edition beers.

Founded in 1985, Big Rock was the first craft brewery in Alberta and stands out as a pioneer in the Canadian craft beer market. Big Rock produces, markets and distributes its premium high-quality specialty craft beers and ciders primarily in Canada. The Corporation owns and operates production facilities in Alberta, British Columbia ("BC") and Ontario. Big Rock's primary brewing, packaging and warehousing facility is located in Calgary, Alberta and has it been in operation since 1985.

In April 2015, Big Rock opened a brewery and eatery in Vancouver, BC's thriving craft beer district. This combined brewery and brewpub serves on-premise consumers in downtown Vancouver and provides distribution for Big Rock's products throughout BC. During the fall of 2016, Big Rock opened a third brewery and tasting room in Etobicoke, Ontario, and on February 1, 2017 a fourth location was opened in Toronto, Ontario in the Liberty Village area, and is operated as the Liberty Commons at Big Rock Brewery tasting room and restaurant.

Big Rock products are sold in five provinces and two territories in Canada. Big Rock has distribution facilities in Calgary and Edmonton, sales staff resident in Alberta, British Columbia, Saskatchewan and Manitoba, and an agency arrangement for product sales in Ontario.

INDUSTRY TRENDS AND INDICATORS

The Canadian beer industry has become increasingly polarized, with sales growth occurring in value-priced products and private label beers at one end of the spectrum and in premium craft beers, such as the Corporation's Signature Series, 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. Economic pressures on consumers in the Alberta market have continued to drive increased sales of value-priced products, while continued competitive activity in Alberta from both local and out-of-province breweries has caused market share for craft beer products to be spread thin.

Big Rock's operating results for July and August of 2017 continued to be negatively impacted by increased costs caused by the Alberta government's revision in August 2016 to the markup and grant structure. Under this revised structure, the maximum grant rate available to producers is based on an optimal annual sales level of 150,000 hl in Alberta. Big Rock's Alberta sales volumes exceed this threshold, which has resulted in higher net costs per hectolitre ("hl") compared to the costs per hl imposed by the markup program that was in place during the first half of 2016. In order to improve Big Rock's grant rate going forward, the Corporation has taken steps to optimize its Alberta sales volumes and profit margins by discontinuing two lower margin products. As a result, Big Rock's net markup rate (markup less grant) improved in September 2017 and the Corporation expects this to continue for the next six to twelve months, Big Rock will continue discussions with the Alberta government with the objective of improving the environment for growth beyond 150,000 hl in the province. The number of limited-time offer price discounts presented to customers during the first nine months of 2017 have been reduced, and to further alleviate the impact of the higher net markup rates, price increases have been put in place in Alberta for the fourth quarter of 2017 on Big Rock's value priced and private label products.

Big Rock grew production volumes and net revenue for the three and nine months ended September 30, 2017. The fastest pace of growth was seen in the Ontario market, where sales have more than doubled compared to the same period in 2016, as Big Rock continued to gain a foothold in Canada's most populous province due to the of the addition of the Etobicoke brewery in the fall of 2016 and the Liberty Commons at Big Rock Brewery restaurant in early 2017. Big Rock beer products are now available in all three key retail channels in Ontario: the Liquor Control Board of Ontario retail stores, The Beer Store outlets and licensed grocery chains. Although the pace of growth in Alberta has been tempered considerably by the previously mentioned discontinuance of two low margin products, sales of Alberta Genuine Draft ("AGD"), Big Rock's most approachable lager, continued to increase. Sales of Big Rock branded products also increased in Alberta during the third quarter.

Big Rock packaged product sales increased in the quarter, particularly in Alberta. These increases were led by AGD, private label brands, the limited-edition Canada 150 Variety Pack, and the fall edition variety pack, as well as increases in Big Rock's flagship Traditional brand and newer brands such as Pilsner and Rhinestone Cowboy. Packaged product increases were partially offset by decreases in keg sales due to the general declines in keg sales in the industry and the proliferation of new craft breweries in Alberta, which tend to sell exclusively in keg format in their early stages. Similar trends were seen in the Corporation's private label business, where new packaged products contributed to increased sales, but on-premise keg sales declined.

Growth in other markets was partially offset by a reduction in sales of Big Rock products in British Columbia during the third quarter of 2017 compared to the same period in 2016. The decline is partly due to a conscious effort to improve margins by de-emphasizing value-priced products, but also reflects the effect of ever-increasing competition due to the cumulative expansion in the number of breweries and products in the province all vying for a comparatively stagnant number of listings offered through the government and retail channels.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2017			2016				2015
($000, except hl and per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volumes (hl)	57,075	61,703	43,477	46,993	54,237	56,524	41,700	43,450
Net revenue	$12,399	$13,496	$ 9,589	$10,439	$11,669	$12,117	$ 8,901	$ 9,661
Operating profit (loss)	(159)	246	(1,157)	(220)	416	656	(1,118)	1
Net income (loss)	(179)	207	(907)	(287)	234	383	(783)	(54)
Earnings per share (basic and diluted)	$ (0.03)	$ 0.03	$ (0.13)	$ (0.03)	$ 0.03	$ 0.06	$ (0.11)	$ (0.01)
$ Per /hl(1) Amounts								
Net revenue	217.24	218.73	220.55	222.14	215.15	214.37	213.45	222.35
Cost of sales	124.45	124.42	137.20	136.11	112.97	116.09	127.63	121.82
Selling expenses	73.87	63.27	75.78	60.68	63.33	59.16	72.35	72.24
General and administrative	19.68	25.14	31.44	25.54	28.69	25.72	36.21	27.69
Operating profit (loss)	(2.79)	3.98	(26.60)	(4.68)	7.67	11.61	(26.81)	0.02
Net income (loss)	(3.14)	3.35	(20.85)	(6.11)	4.31	6.78	(18.78)	(1.24)

(1) "hl" refers to hectolitre

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

RESULTS OF OPERATIONS

Net revenue includes wholesale product sales for beer and cider, net of excise taxes and provincial government liquor taxes, and retail restaurant and store sales from Big Rock's Alberta, BC and Ontario locations. Geographically, Alberta continued to represent the largest share of the Corporation's sales, followed sequentially by BC and Ontario.

Net revenue for the quarter ended September 30, 2017 increased by $730 (6%) to $12,399, compared to $11,669 for the third quarter of 2016. Net revenue for the nine months ended September 30, 2017 increased by $2,797 (9%) to $35,484, compared to the same period in 2016. Volume increases were attributed to increase in beer sales primarily from the value brand and private label categories.

Gross revenue for the three and nine months ended September 30, 2017 increased 14% and 15% respectively, offset by increases in both excise tax (30% and 20%, respectively), and provincial liquor tax (42% and 44%, respectively). The increase in liquor tax is primarily due to the previously noted changes in the Alberta provincial liquor markup and grant program introduced in the second half of 2016.

An operating loss of $159 was realized during the third quarter of 2017, mainly due to increased provincial liquor taxes and higher selling expenses, compared to an operating profit of $416 in the third quarter of 2016. Big Rock reported an operating loss of $1,070 for the nine months ended September 30, 2017 compared to an operating loss of $46 for the same period in the prior year.

The current year-to-date operating results include increased liquor taxes, increased selling costs and an increase in non-cash share-based compensation expense, which is measured at each period end, based on the fair value of Big Rock's stock price.

SEGMENTED INFORMATION

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

Segment performance is evaluated on a number of measures, the most significant being gross profit net of selling expenses. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The Corporation's operating assets and liabilities, general and administrative expenses, income taxes and capital expenditures are managed on a corporate basis.

For the three months ended September 30

	Wholesale		Retail		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Net Revenue	$ 11,867	$ 11,398	$ 739	$ 459	$ (207)	$ (188)	$ 12,399	$ 11,669
Cost of sales	6,524	5,768	786	547	(207)	(188)	7,103	6,127
Gross profit	5,343	5,630	(47)	(88)	—	—	5,296	5,542
Selling expenses	4,176	3,414	40	20	—	—	4,216	3,434
Segment profit	$ 1,167	$ 2,216	$ (87)	$ (108)	$ —	$ —	$ 1,080	$ 2,108
General & administrative costs							1,123	1,556
Depreciation and amortization							116	136
Operating income (loss)							(159)	416
Finance expense							78	89
Other income							2	23
Income (loss) before income taxes							$ (235)	$ 350

For the nine months ended September 30

	Wholesale		Retail		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Net Revenue	$ 34,006	$ 31,691	$ 2,053	$ 1,500	$ (575)	$ (504)	$ 35,484	$ 32,687
Cost of sales	18,770	17,003	2,550	1,512	(575)	(504)	20,745	18,011
Gross profit	15,236	14,688	(497)	(12)	—	—	14,739	14,676
Selling expenses	11,316	9,762	99	33	—	—	11,415	9,795
Segment profit	$ 3,920	$ 4,926	$ (596)	$ (45)	$ —	$ —	$ 3,324	$ 4,881
General and administrative costs							4,041	4,520
Depreciation and amortization							353	407
Operating Loss							(1,070)	(46)
Finance expense							265	238
Other income							152	105
Loss before income taxes							$ (1,183)	$ (179)

Gross Profit

($000, except volumes)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Sales volumes (hl)	57,075	54,237	2,838	162,255	152,461	9,794
Net revenue	$ 12,399	$ 11,669	$ 730	$ 35,484	$ 32,687	$ 2,797
Cost of sales	7,103	6,127	976	20,745	18,011	2,734
Gross Profit	$ 5,296	$ 5,542	$ (246)	$ 14,739	$ 14,676	$ 63
Wholesale:						
Net revenue	$ 11,660	$ 11,210	$ 450	$ 33,431	$ 31,187	$ 2,244
Cost of sales:						
Materials	3,172	3,472	(300)	9,055	8,959	96
Labour	1,353	1,179	174	4,033	3,966	67
Overhead	1,021	413	608	3,031	2,439	592
Inventory valuation	246	84	162	506	(181)	687
Depreciation	526	430	96	1,570	1,343	227
Total cost of sales	6,318	5,578	740	18,195	16,526	1,669
Wholesale segment profit	$ 5,342	$ 5,632	$ (290)	$ 15,236	$ 14,661	$ 575
Retail:						
Net revenue	$ 739	$ 459	$ 280	$ 2,053	$ 1,500	$ 553
Cost of sales	785	549	236	2,550	1,485	1,065
Retail segment loss	(46)	(90)	44	(497)	15	(512)
Gross profit	$ 5,296	$ 5,542	$ (246)	$ 14,739	$ 14,676	$ 63

Wholesale Net Revenue

Wholesale net revenue increased by $450 (4%) and $2,244 (7%), respectively for the three and nine months ended September 30, 2017, compared to the same periods in 2016. Volumes increased by 2,838 hl (5%), and 9,794 hl (6%) for the three and nine months ended September 30, 2017, compared to the same periods in 2016.

Volumes in the value brand and private label categories continue to grow, primarily in Alberta. Third quarter beer volumes increased compared to 2016 with beer volumes receiving a boost from Big Rock's launch of new variety packs and the award winning Pilsner and Rhinestone Cowboy products. Sales for the third quarter of 2017 also include revenue and volumes from the Ontario facilities, which commenced commercial operations in the fourth quarter of 2016, and are primarily comprised of full margin permanent brand beer sales.

Percentage revenue increases for the quarter, and year-to-date are marginally lower than volume increases, mainly due to increased Alberta provincial liquor taxes. Price increases on value and private label brand categories were implemented near the end of the third quarter, are expected to positively impact revenues for the last quarter of 2017.

Retail Revenue

Retail revenue increased by $280 (61%) and $553 (37%) respectively for the three and nine months ended September 30, 2017 compared to the same period in 2016 mainly due to the inclusion of the Ontario-based retail stores, which opened late in the fourth quarter of 2016, and the Liberty Commons restaurant which opened in early 2017. Revenue from the Vancouver restaurant and retail location increased by 8% for the nine months ended September 30, 2017 driven by changes to events and menu offerings.

Cost of Sales

Cost of sales increased for the three and nine months ended September 30, 2017 by $976 and $2,734, respectively compared to the same period last year, as described below:

- Materials, which include ingredients and packaging, decreased by $300 and increased by $96 for the three and nine months ended September 30, 2017, respectively. A significant improvement in production efficiency, partly due to a change in the mix of packaged goods, was achieved resulting in lower material costs despite higher production and sales volumes. More favourable exchange rates and changes in procurement management strategy also contributed to this reduction.

- Labour charges for the third quarter of 2017 increased by $174 due to an increase in production staff and temporary labour to meet the demands of the summer season. A lower increase in labour charges for the nine months, of $67, reflected year-to-date labour savings from improved management of plant labour overtime and scheduling.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs increased by $608 and $592 for the three and nine months ended resulting primarily from three full quarters of operations of the Ontario facilities in 2017, and higher utilities charges, which include a new carbon levy and increased water effluent charges in Alberta.

- Inventory valuation is comprised of timing differences relating to the absorption of production costs into finished goods inventory and the eventual charge to income for those costs when finished goods inventory is sold. It also includes the absorption to inventory of changes in standard cost. For the three and nine months, charges relating to inventory movement increased due the on-going fine-tuning of the new Etobicoke brewery packaging equipment.

- Wholesale cost of sales which includes depreciation charges on production equipment increased $96 and $227 for the three and nine months reflecting an increase in the depreciation base, largely driven by the capital cost of the Ontario facilities and a new bottling line in Calgary.

- Retail cost of sales increased by $236 and $1,065 for the three and nine months due to the commencement of two retail locations in Ontario during the fourth quarter of 2016. Most of these costs are fixed in nature and relate to building lease costs and utilities.

Per Hectolitre Cost of Sales

$/hl	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Wholesale net revenue	$ 204.29	$ 206.69	$ (2.40)	$ 206.04	$ 204.56	$ 1.48
Wholesale cost of sales:						
Materials	55.58	64.02	(8.44)	55.81	58.76	(2.95)
Labour	23.71	21.74	1.97	24.86	26.01	(1.15)
Overhead	17.89	7.61	10.28	18.68	16.00	2.68
Inventory valuation	4.31	1.55	2.76	3.12	(1.19)	4.31
Depreciation	9.21	7.93	1.28	9.68	8.81	0.87
Wholesale cost of sales	$ 110.70	$ 102.85	$ 7.85	$ 112.15	$ 108.39	$ 3.76

Wholesale cost of sales increased by $7.85 per hl (8%) and $3.76 per hl (3%) for the three months and nine months ended September 30, 2017, respectively, compared to the same period in 2016.

Selling Expenses

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Selling:						
Delivery & distribution costs	$ 1,083	$ 961	$ 122	$ 3,038	$ 2,655	$ 383
Salaries & benefits	975	750	225	2,872	2,458	414
Marketing & sales	2,158	1,723	435	5,505	4,682	823
Total selling expenses	$ 4,216	$ 3,434	$ 782	$ 11,415	$ 9,795	$ 1,620

Selling expenses increased for the three and nine months ended September 30, 2017 by $782 and $1,620 respectively, compared with the same period last year, as detailed below:

- Delivery and distribution costs increased $122 and $383 for the three and nine months ended September 30, 2017 resulting from increased sales volumes, partly due to increased demand at the Etobicoke brewery.

- Salaries and benefit costs increased by $225 and $414 for the three and nine months due to increases in sales and marketing department headcount and increases in seasonal labour for summer festivals and activities.

- Marketing and sales costs increased by $435 for the quarter due to focussed brand advertising targeted primarily at the Ontario region and community sponsorships which are highest during the summer months. Costs increased by $823 for the nine-month period due to increased advertising, artwork and design costs associated with Big Rock's rebranding activity which was rolled out in the first quarter of 2017.

Per Hectolitre Selling Expenses

$/hl	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Selling:						
Delivery & distribution	$ 18.98	$ 17.72	$ 1.26	$ 18.72	$ 17.41	$ 1.31
Salaries & benefits	17.08	13.83	3.25	17.70	16.12	1.58
Marketing & sales	37.81	31.78	6.03	33.92	30.71	3.21
Total selling expenses	$ 73.87	$ 63.33	$ 10.54	$ 70.34	$ 64.24	$ 6.10

Selling expenses increased by $10.54 per hl (17%) and $6.10 per hl (9%) for the three and nine months ended September 30, 2017 respectively, compared to the same period in 2016.

General and Administrative Expenses

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
General and Administrative:						
Salaries and benefits	$ 566	$ 697	$ (131)	$ 2,154	$ 2,210	$ (56)
Professional fees	201	273	(72)	710	589	121
Other administrative expenses	356	586	(230)	1,177	1,721	(544)
Total general & administrative expenses	$ 1,123	$ 1,556	$ (433)	$ 4,041	$ 4,520	$ (479)

General and administrative expense decreased by $433 for the three months ended September 30, 2017 and decreased by $479 for the nine months ended September 30, 2017, compared with the same period last year, as detailed below:

- Salaries and benefit costs decreased by $131 for the quarter due primarily to a lower share-based payment expense related to grant of options and a reduction of severance. The nine month period costs decreased by $56 due to a reduction of severances and bonuses partly offset by an increase in share-based payment expense related to an increase in share price.

- Professional fees, which include legal, audit, tax and accounting advisory services, decreased by $72 and increased by $121 for the three and nine months, respectively. The quarterly variance is mainly due to a decrease in advisory fees. The year-to-date variance is due to higher than the prior year mainly due to recruitment and IT consulting fees offset by a reduction of advisory fees.

- Other administrative expenses are lower than 2016 by $230 and $544 on a quarterly and year-to-date basis, respectively. During 2016, pre-operating costs associated with the start-up of the Ontario facilities were reclassified from cost of sales into general and administration.

Finance Expenses

($000, unless otherwise stated)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Interest on operating facility	$ 7	$ -	$ 7	$ 52	$ 13	$ 39
Interest on long-term debt	71	89	(18)	213	225	(12)
Total finance expenses	$ 78	$ 89	$ (11)	$ 265	$ 238	$ 27
Weighted average effective interest rate	4.5%	6.0%		4.4%	5.7%	

The carrying amount of bank indebtedness, long-term debt and finance lease obligations was $10,297 as at September 30, 2017 compared to $7,397 as at September 30, 2016. The interest rates applicable to all loans and borrowings are based on the lender's prime rate. The increase in interest expense for the nine months ended September 30, 2017 compared to the same period last year reflects the impact of higher average borrowings outstanding (See Cash Flows, Financing Activities section). The reduction in rate reflects improved terms negotiated in the December 2016 amendments to the loan facilities.

Depreciation and Amortization

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Depreciation, Cost of sales						
Wholesale	$ 526	$ 430	$ 96	$ 1,570	$ 1,343	$ 227
Retail	94	38	56	279	112	167
Depreciation, Other	75	97	(22)	233	288	(55)
Amortization	41	39	2	120	119	1
Total	$ 736	$ 604	$ 132	$ 2,202	$ 1,862	$ 340

Depreciation expense included in wholesale cost of sales increased by $96 and $227 for the three and nine months ended September 30, 2017 compared with the same period last year due to the commissioning of the Ontario facilities and a new bottling line in Calgary. Depreciation expense included in retail cost of sales increased by $56 and $167 primarily due to asset additions relating to the opening of the Ontario retail locations, and a reclassification in 2016 of retail-related assets from other depreciation to cost of sales.

Other depreciation, which relates to non-production assets, decreased by $22 and $55 for the three and nine months ended September 30, 2017 due to a reclassification of retail depreciation to cost of sales for assets that are related to the retail segment.

Amortization expense relates to intangible assets and includes software, naming rights and website costs.

Other Income and Expenses

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Other income	$ 2	$ 23	$ (21)	$ 152	$ 105	$ 47

Other income includes a gain on the sale of the first parcel of undeveloped land adjacent to the Calgary production facilities that closed during the second quarter of 2017.

Income Taxes

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Current income tax (recovery) expense	$ (26)	$ (137)	$ 111	$ (142)	$ (284)	$ 142
Deferred income tax (recovery) expense	(30)	253	(283)	(162)	271	(433)
Total	$ (56)	$ 116	$ (172)	$ (304)	$ (13)	$ (291)

A current income tax recovery of $26 and $142 was recorded for the three and nine months ended September 30, 2017 and reflects expected taxes recoverable arising from a loss carry back and the transitional provisions on the taxation of partnership deferral structures.

During the quarter ended September 30, 2017, Big Rock recorded deferred income tax recovery of $30, compared to an expense of $253 for the same period last year. The deferred income tax provision differs from the statutory rate of 26.9% (2016 – 26.9%) due to permanent differences between the carrying amounts of assets and liabilities for accounting purposes and the tax basis, as well as the effect of non-deductible amounts.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Statements of Financial Position from December 30, 2016 to September 30, 2017:

($000, unless otherwise stated)	**Increase/ (Decrease)**	**Primary factors explaining change**
Accounts receivable	2,348	Increase in outstanding balances related to a grant from the Alberta government, GST receivable, and a holdback relating to the sale of the first parcel of land
Inventories	957	Increase in raw materials and finished product due to increased sales demand
Prepaid expenses & deposits	109	Timing of insurance payments and property tax
Current income taxes	126	Increase in expected recoverable income taxes
Property, plant and equipment (including land held for sale)	(2,121)	Depreciation charges in excess of additions, offset by the sale of the first parcel of land
Intangible assets	186	Software and website additions in excess of amortization
Bank indebtedness	1,973	Increase in the combined balances of outstanding cheques and the operating loan balance
Accounts payable & accrued liabilities	(27)	Timing of supplier payments
Share-based payments	450	Higher share appreciation rights valuation due to increase in share price and new grants
Long term debt & finance lease	(520)	Net repayment of term loans and finance lease
Lease incentive	39	Amortization of incentive
Deferred income taxes	(162)	Tax effect of changes in temporary differences

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

($000, unless otherwise stated)	September 30, 2017	December 30, 2016
Cash	$ (99)	$ (207)
Total debt	10,297	8,844
Net debt[1]	10,198	8,637
Shareholders' equity:		
Shareholders' capital	113,845	113,121
Contributed surplus	1,337	1,438
Accumulated deficit	(78,168)	(77,289)
Total shareholders' equity	37,014	37,270
Total capitalization (total debt plus shareholders' equity, net of cash)[1]	$ 47,212	$ 45,907
Net debt to capitalization ratio[1]	22%	19%

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

Capital Strategy

The Corporation defines its capital to include common shares plus short-term and long-term debt, net of cash balances, and has no externally imposed capital requirements. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern to support 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, create long-term value and enhance returns for its shareholders.

Big Rock manages its capital structure through prudent levels of borrowing, cash-flow forecasting and working capital management, and has the ability to adjust its capital structure in response to changes in economic conditions and the risk characteristics of its underlying assets.

The Corporation may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents to maintain or adjust its capital structure. Big Rock management prepares annual expenditure budgets, which are approved by the Board of Directors, to facilitate management of its capital requirements. These budgets are updated as necessary depending on numerous factors, including capital deployment, results from operations, and general industry conditions.

In addition, the Corporation monitors its capital using ratios of (i) EBITDA to net debt and (ii) EBITDA to debt repayments, interest, income taxes and dividends paid ("Fixed Charges"). EBITDA to net debt is calculated by dividing debt minus cash by EBITDA and EBITDA to Fixed Charges is calculated by dividing the combined Fixed Charges by EBITDA. The calculation of EBITDA is a non-GAAP measure, whose nearest GAAP measure is net income, or net loss as applicable, with the reconciliation between the two as follows:

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Net income (loss)	$ (179)	$ 234	$ (413)	$ (879)	$ (166)	$ (713)
Addback:						
Interest	78	89	(11)	265	238	27
Taxes	(56)	116	(172)	(304)	(13)	(291)
Depreciation & amortization	736	604	132	2,202	1,862	340
EBITDA [1]	$ 579	$ 1,043	$ (464)	$ 1,284	$ 1,921	$ (637)

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

These policies provide Big Rock with access to capital at a reasonable cost. Big Rock's borrowing facilities have financial tests and other covenants customary for these types of facilities and must be met at each reporting date (see Financing Activities in the next section).

Cash Flows

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
OPERATING ACTIVITIES						
Net income (loss) for the period, adjusted for items not affecting cash	$ 556	$ 1,188	$ (632)	$ 1,625	$ 2,414	$ (789)
Net change in non-cash working capital	(1,552)	1,827	(3,379)	(3,216)	1,171	(4,387)
Cash provided by (used in) operating activities	(996)	3,015	(4,011)	(1,591)	3,585	(5,176)
FINANCING ACTIVITIES						
Increase (decrease) in bank indebtedness	1,876	253	1,623	1,973	51	1,922
Proceeds from long-term debt	—	—	—	—	2,467	(2,467)
Repayment of long-term debt	(82)	(107)	25	(283)	(257)	(26)
Repayment of finance lease	(78)	—	(78)	(243)	—	(243)
Proceeds from exercised options	—	—	—	583	—	583
Cash provided by (used in) financing activities	1,716	146	1,570	2,030	2,261	(231)
INVESTING ACTIVITIES						
Purchase of property, plant & equipment	(572)	(2,639)	2,067	(1,078)	(5,662)	4,584
Purchase of intangible assets	(129)	(13)	(116)	(306)	(36)	(270)
Proceeds from sale of property, plant and equipment	—	—	—	837	132	705
Cash provided by (used in) investing activities	(701)	(2,652)	1,951	(547)	(5,566)	5,019
Net change in cash	$ 19	$ 509	$ (490)	$ (108)	$ 280	$ (388)

Operating Activities

Cash used in operating activities for the three months ended September 30, 2017 totalled $996, an increase of $4,011 compared to the same period last year. Cash used in operating activities for the nine months ended September 30, 2017 totalled $1,591, an increase of $5,176 compared to the same period last year. Cash used in operating activities increased primarily due to a decrease in net income, and a decrease in non-cash working capital, which was mainly due an increase in accounts receivable from government agencies and inventory balances, in advance of a planned maintenance shutdown in October 2017.

Financing Activities

Cash provided by financing activities for the three months ended September 30, 2017 increased by $1,570 compared with the same period in 2016 primarily due to an increase in the operating line balances. Cash provided by financing activities for the nine months ended September 30, 2017 decreased by $231 compared with the same period in 2016, as cash provided by an increase in the operating line and proceeds from the exercise of options was offset by long term debt repayments.

On December 30, 2016, Big Rock signed a commitment letter to revise the Corporation's bank debt. The Corporation has a $5 million revolving operating loan facility and a $6 million 5-year term revolving loan facility. The revolving operating loan facility is available for general operating purposes and funding capital expenditures as required. The $6 million 5-year term revolving loan facility is available to fund capital expenditures. Advances under the credit facilities may be made by way of Canadian prime rate loans and letters of credit. During the nine months ended September 30, 2016, proceeds of $2.5 million were received from long-term debt to fund capital expenditures.

Interest is payable for prime-based loans under the revolving operating facility at the financial institution's prime rate plus 0.75 percent and on the term facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable. Both facilities mature after a term of 5 years and any undrawn amounts under the facilities will expire on March 23, 2021, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month earnings before interest, taxes and depreciation ("EBITDA"), less an amount for maintenance capital compared to the rolling 12-months fixed charges. Fixed charges are the sum of principal repayments, interest, dividends and income taxes paid. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. Big Rock was in compliance with its covenants at September 30, 2017.

As at September 30, 2017, bank indebtedness was $4,816 (December 30, 2016 - $2,843), of which $4,270 was outstanding on the operating loan facility (December 30, 2016 - $2,435).

As at	September 30, 2017	December 30, 2016
Term debt	$ 3,250	$ 3,533
Finance lease	—	2,500
Debt issue costs	(26)	(32)
	3,224	6,001
Current portion	(334)	(662)
Long term debt	$ 2,890	$ 5,339

On July 9, 2015, Big Rock signed a commitment letter for a $2.5 million finance lease facility which was available to purchase certain equipment relating to the Corporation's Ontario expansion. On January 25, 2017, the finance facility was converted to a sale and leaseback arrangement for $2.5 million.

The lease agreement matures after a term of five years and the interest rate of 5.42% is fixed at the contract date. Lease repayments are fixed, and no arrangements have been entered for contingent rental payments.

As of September 30, 2017, the net carrying amount of the leased assets is $2,370. The depreciation of the assets recorded under finance lease is included in the cost of sales on the Condensed Interim Consolidated Statements of Comprehensive Income (Loss). The obligation under finance lease is secured by the lessor's rights over the leased assets.

As at	September 30, 2017			December 30, 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 439	$ 114	$ 325	$ —	$ —	$ —
Between one and five years	2,177	245	1,932	—	—	—
	2,616	359	2,257	—	—	—
Reported as:						
Current portion			$ 325			$ —
Long term portion			1,932			—
Present value of finance lease			$ 2,257			$ —

Investing Activities

During the three and nine months ended September 30, 2017, a total of $701 and $1,384 were spent on capital, compared to $2,652 and $5,698 for the same period in 2016. The majority of capital expenditures during the first nine months of 2017 related to packaging and quality control equipment and expenditures to finalize commissioning of the brewery and brewpub facilities and related equipment in Ontario. Capital expenditures in 2016 were also mainly for the brewery and brewpub facilities and related equipment in Ontario. Proceeds of $837 were received during the second quarter of 2017, primarily from the sale of the first parcel of undeveloped land. The sale of a second parcel of land, both of which are adjacent to the Calgary production facilities, is expected to close early in the fourth quarter of 2017, for gross proceeds of $1,269.

($000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Land	$ 377	$ 3	$ 373	$ 423	$ 6	$ 417
Buildings & leasehold improvements	17	2,515	(2,497)	74	3,513	(3,439)
Brewery machinery & equipment	65	(9)	74	403	1,890	(1,487)
Vehicles	—	1	(1)	—	73	(73)
Office furniture & fixtures	113	129	(16)	178	180	(2)
Capital spending, tangible assets	572	2,639	(2,067)	1,078	5,662	(4,584)
Capital spending, intangible assets	129	13	116	306	36	270
Total capital spending	701	2,652	(1,951)	1,384	5,698	(4,314)
Proceeds on dispositions	—	—	—	(837)	(132)	(705)
Net capital spending	$ 701	$ 2,652	$ (1,951)	$ 547	$ 5,566	$ (5,019)

Shareholders' Capital

As At	September 30, 2017		December 30, 2016	
($000, except # of shares)	# of shares	Amount	# of shares	Amount
Outstanding at beginning of period	6,875,928	$ 113,121	6,875,928	$ 113,121
Shares issued upon exercise of options	105,700	724	—	—
Outstanding at end of period	6,981,628	$ 113,845	6,875,928	$ 113,121

Big Rock is authorized to issue an unlimited number of common shares with no par value. The Corporation's shares trade on the Toronto Stock Exchange under the symbol BR. As at September 30, 2017, based on a closing price of $7.36 per share, Big Rock's market capitalization was approximately $51.4 million. As at November 2, 2017 there were 6,981,628 issued and outstanding shares.

Share Based Payments

Big Rock has a Share Option Plan and a Share Appreciation Rights ("SAR") Plan both of which are a component of overall compensation of directors, officers, and employees of the Corporation. The Compensation and Human Resources Committee of the Board of Directors of Big Rock determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

Share option plan

The following is a summary of transactions under the Corporation's Share Option Plan:

As at	September 30, 2017			December 30, 2016		
	# of options	Weighted average exercise price ($)	Remaining life (years)	# of options	Weighted average exercise price ($)	Remaining life (years)
Balance, beginning of year	585,000	11.56		517,000	13.10	
Granted	75,000	7.75		117,000	5.64	
Exercised	(105,700)	5.51		—	—	
Expired	—	—		(49,000)	13.74	
Cancelled	(479,300)	12.89		—	—	
Balance, end of period	75,000	7.75	4.94	585,000	11.56	2.46
Exercisable, end of period	15,000	7.75	4.94	585,000	11.56	2.46

A share-based compensation charge of $40 (2016 – $104) and $40 (2016 - $183) were recorded for the three and nine months ended September 30, 2017 in the Statement of Comprehensive Loss and is included in general and administrative expenses. See note 11.1 to the unaudited financial statements for the three and nine months ended September 30, 2017 for more details.

Share Appreciation Rights

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

As at	September 30, 2017			December 30, 2016		
	# of SARs	Weighted average exercise price ($)	Remaining life (years)	# of SARs	Weighted average exercise price ($)	Remaining life (years)
Balance, beginning of year	426,900	10.99		391,900	12.24	
Granted	256,000	6.78		79,000	5.12	
Exercised	(36,000)	5.47		(12,000)	5.47	
Forfeited	(67,000)	13.04		(32,000)	13.85	
Balance, end of period	579,900	9.24	3.22	426,900	10.99	2.56
Exercisable, end of period	409,220	10.26	2.63	426,900	10.99	2.56

The fair value of the outstanding SARs at September 30, 2017 was calculated using the Black Scholes option pricing model which resulted in a share based compensation recovery of $27 (2016 – recovery $19) and an expense of $512 (2016 - $266) charged to general and administrative expenses for the three and nine months ended September 30, 2017, respectively. See note 11.2 to the unaudited consolidated financial statements for the three and nine months ended September 30, 2017 for more detail.

OFF BALANCE SHEET ARRANGEMENTS

Big Rock does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance-sheet, other than the operating leases summarized in Commitments and Contractual Obligations.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Big Rock has entered into various commitments for expenditures covering utilities, raw materials, marketing initiatives and leasing of facilities. The commitments, for the next 5 years, which cover a twelve-month period from September 30, 2017 are as follows:

	2018	2019	2020	2021	2022	thereafter
Utilities contracts	$ 76	$ 19	$ —	$ —	$ —	$ —
Raw material purchase commitments	3,257	922	14	14	—	—
Marketing sponsorships	336	182	18	—	—	—
Operating leases	704	701	718	765	766	1,659
Long term debt repayments	479	479	1,457	1,233	—	—
Finance lease repayments	439	439	439	439	860	—
Total	$ 5,291	$ 2,742	$ 2,646	$ 2,451	$ 1,626	$ 1,659

Big Rock has entered into operating lease agreements for storage facilities, warehouses, breweries, and retail locations. The remaining lease terms range between four and 10 years. Certain leases contain extension and renewal options. Operating lease payments of $550 (2016 - $668) were recognized as an expense in the Condensed Interim Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2017.

OTHER INFORMATION

RISKS RELATED TO THE BUSINESS AND INDUSTRY

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

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

With the vast choice of craft brands now available and the advertising initiatives of pseudo-craft divisions of the major breweries, it is likely that competitive pressures on price will continue. As a result, selling prices may vary more frequently.

Big Rock requires various permits, licenses, and approvals from several government agencies 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 "markup" 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 markup rates and on March 26, 2015, announced an increase in the markup rate applicable to Big Rock with an immediate corresponding increase in the prices of the Corporation's products. On October 27, 2015, the Alberta government announced a change to markup rates applicable to Big Rock, which slightly reduced the impact of the previous increase.

In July 2016, the Alberta government announced that, effective August 5, 2016, the graduated markup rate structure would be replaced with a flat-rate markup of $1.25 per litre plus a new grant program for Alberta breweries, which would be administered by Alberta Agriculture and Forestry. As Alberta is Big Rock's predominant market, future changes to this markup rate structure could have significant impacts on the Corporation's financial results. The Corporation will continue to assess the longer-term implications of these recent changes.

Financial Risk

The Corporation's principal financial instruments are: outstanding amounts drawn from its credit facilities, which, after cash flow from operations, are its main source of financing. Other financial assets and liabilities arising directly from its operations and corporate activities include cash, accounts receivable, bank indebtedness, accounts payable, current taxes payable or receivable and long-term debt. The primary risks arising from the Corporation's financial instruments are foreign exchange risk, interest rate risk, credit risk, liquidity risk and commodity price risk, each of which are discussed below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign exchange risk

The Corporation currently transacts with only a few foreign suppliers and thus has limited exposure to risk due to variations in foreign exchange rates. The Corporation has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors the Corporation's foreign exchange exposure. The Corporation does not have any significant foreign currency denominated monetary liabilities.

Interest rate risk

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

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors the Corporation's interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation. The weighted average interest rate for the three and nine months ended September 30, 2017 was 4.5% and 4.4%, respectively (2016 – 6.0% and 5.7%).

Credit risk

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

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

Liquidity risk

Big Rock's principal sources of liquidity are its cash flows from operations and existing or new credit facilities. Liquidity risk is mitigated by maintaining banking facilities, continuously monitoring forecast and actual cash flows and, if necessary, adjusting levels of dividends to shareholders and capital spending to maintain liquidity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Corporation's operations.

Commodity price risk

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

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

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 2, 2017 that is available on www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three and nine months ended September 30, 2017. Further information on the Corporation's critical accounting policies and estimates can be found in the notes to the annual audited financial statements and MD&A for the year ended December 30, 2016.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Corporation's interim financial statements as at and for the three and nine months ended September 30, 2017 and 2016 have been prepared using the IFRS standards and interpretations currently issued. Accounting policies currently adopted under IFRS are subject to change as a result of new standards being issued with an effective date of December 31, 2016 or later. 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. See Note 2.3 Future Accounting Pronouncements to the unaudited consolidated financial statements for the three and nine months ended September 30, 2017 for further details.

INTERNAL CONTROLS OVER FINANCIAL REPORTING UPDATE

Big Rock is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The certificate requires that Big Rock disclose in the interim MD&A any change in the Corporation's internal control over financial reporting ("ICFR") that occurred during the period that has been materially affected or are reasonably likely to materially affect Big Rock's ICFR. As of the date of this MD&A Big Rock confirms that there have been no such changes in Big Rock's ICFR during the three and nine months ended September 30, 2017.

OUTLOOK

Big Rock's operating results continued to be hampered in the third quarter of 2017 by increased costs imposed by the Alberta government's August 2016 revision to the provincial markup and grant structure. Under this new structure, the maximum grant rate available to producers is based on an optimal annual sales level of 150,000 hl in Alberta. Big Rock's Alberta sales volumes exceed this threshold, which has resulted in higher net costs per hl as compared to the costs per hl imposed by the markup program that was in place during the first nine months of 2016.

The Corporation has initiated discussions with the Alberta government and taken actions to mitigate the impact of higher net markup rates by reducing the number of limited-time offer price promotions and implementing price increases in Alberta for the fourth quarter of 2017 on Big Rock's value and private label brand categories. In order to improve Big Rock's grant rate in the future, the Corporation has taken steps to optimize its Alberta sales volumes by discontinuing two lower margin products, which is expected to bring Big Rock's Alberta sales volumes closer to the new 150,000 hl threshold. Big Rock anticipates these actions will reduce the net markup rate (markup less grant) in September 2017 and future periods. Big Rock will continue discussions with the Alberta government with the objective of improving the environment for growth.

Competition continues unabated at the value-priced end of the beer market and for premium craft beer, particularly in Alberta, which, unlike most other Canadian jurisdictions, has relatively few barriers to entry for out-of-province producers. This competition particularly affects Big Rock's most mature brands, Grasshopper and Traditional, and is expected to continue. An influx of new microbreweries in Alberta and general competition for taps in all markets contribute to sustained pressure on the Corporation's keg product sales.

To diversify revenue base, management previously identified opportunities to establish a local presence in BC and Ontario. These markets have been targeted as they are especially responsive to locally brewed, craft beer. The BC brewery, brewpub and retail space commenced operations during the second quarter of 2015, the Ontario brewery and tasting room commenced operations late in the third quarter of 2016 and the brewpub and retail operations located in Liberty Village, near the Etobicoke brewery, opened on February 1, 2017. Growth in the BC market has been less than initially expected, and reflects a conscious effort to improve margins by de-emphasizing value-priced products, and an increase in the number of breweries and products vying for a limited number of listings available through BC government and retail channels.

In response to consumer-driven demand, management will continue to invest in targeted marketing opportunities to create brand and product awareness and to emphasize its innovation, which will continue to add great new beers to the Big Rock portfolio. Growth in sales of the Big Rock branded products is expected to lift average margins which have been pressured by the recent increase in demand for Big Rock's value priced and private label products.

Management will continue to monitor and adjust the selling prices of its products, actively manage operating costs, assess regional profitability and focus on operating efficiencies. Management also plans to continue to introduce new permanent and seasonal brands from all three of its production hubs in 2017 and beyond.

NON-GAAP MEASURES

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

In addition, the Corporation's lender uses EBITDA to Fixed Charges ratio to evaluate the Corporation's ongoing cash generating capability and to determine the amounts and rates at which the lender is willing to finance Big Rock. Management believes that, in addition to net income and cash flow from operating activities, these measures are useful supplemental measures as they provide an indication of Big Rock's operating performance and leverage.

Readers are cautioned that these measures should not be construed as an alternative to net income or cash flow from operating activities as calculated under GAAP.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Corporation. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

All statements, other than statements of historical fact included in the MD&A, may be forward-looking information. Forward-looking information are not facts, but only predictions and generally can be identified by the use of statements that include words or phrases such as, "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "likely" "may", "project", "predict", "propose", "potential", "might", "plan", "seek", "should", "targeting", "will", and similar expressions. These statements are not guarantees of 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.

This MD&A contains forward-looking statements pertaining to the following:

- expected sales volumes;
- the potential introduction of new permanent and seasonal brands in 2017 and beyond;
- projections of market prices and costs;
- treatment under governmental regulatory and taxation regimes, including expected price increases resulting from the indexing of excise taxes to inflation;
- supply and demand of Big Rock's products;
- the impact of recent changes in Alberta markup rates;
- the expected reduction in the net markup rate (markup less grant) in effect in Alberta for September 2017 and future periods;
- the anticipated closing of the Corporation's sale of undeveloped land and the gross proceeds therefrom; and
- the expected continued investment in targeted marketing opportunities.

With respect to forward-looking statements listed above and contained in this MD&A, Big Rock has made assumptions regarding, among other things, the following:

- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates;
- there will be no supply issues with Big Rock's vendors;
- the Corporation's sale of undeveloped land will close as anticipated and;
- the Corporation's ongoing discussions with the Alberta Government with respect to the markup and grant program will be successful in improving the markup and grant programs applicable to Big Rock.

Big Rock's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Corporation's 2016 Annual Information Form dated March 2, 2017 that is available on SEDAR at www.sedar.com. Readers are cautioned that the foregoing lists of factors are not exhaustive.

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

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

		Three months ended September 30		Nine months ended September 30	
	Note	2017	2016	2017	2016
Net revenue	3	$ 12,399	$ 11,669	$ 35,484	$ 32,687
Cost of sales	4	7,103	6,127	20,745	18,011
Gross profit		5,296	5,542	14,739	14,676
Expenses					
Selling expenses		4,216	3,434	11,415	9,795
General and administrative		1,123	1,556	4,041	4,520
Depreciation and amortization		116	136	353	407
Operating expenses		5,455	5,126	15,809	14,722
Operating profit (loss)		(159)	416	(1,070)	(46)
Finance expenses		78	89	265	238
Other income		2	23	152	105
Income (loss) before income taxes		(235)	350	(1,183)	(179)
Income tax expense (recovery)					
Current tax recovery		(26)	(137)	(142)	(284)
Deferred tax expense (recovery)		(30)	253	(162)	271
		(56)	116	(304)	(13)
Net income (loss) and comprehensive income (loss) for the period		$ (179)	$ 234	$ (879)	$ (166)
Net income (loss) per share					
Basic and diluted	5	$ (0.03)	$ 0.03	$ (0.13)	$ (0.02)

See accompanying notes to the condensed interim consolidated financial statements

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

	Note	September 30, 2017	December 30, 2016
ASSETS			
Current			
Cash		$ 99	$ 207
Accounts receivable	6	3,642	1,294
Inventories	7	6,101	5,144
Prepaid expenses and deposits		519	410
Current taxes receivable		122	—
Land held for sale	18	1,129	1,819
		11,612	8,874
Property, plant and equipment		44,568	45,999
Intangible assets		522	336
		45,090	46,335
Total assets		$ 56,702	$ 55,209
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	8	$ 4,816	$ 2,843
Accounts payable and accrued liabilities	10	3,910	3,937
Share-based payments	11	740	336
Current taxes payable		—	4
Current portion of long term debt	8	334	662
Current portion of obligation under finance lease	9	325	—
		10,125	7,782
Long term debt	8	2,890	5,339
Obligation under finance lease	9	1,932	—
Share-based payments	11	46	—
Lease incentive	12	225	186
Deferred income taxes		4,470	4,632
		9,563	10,157
EQUITY			
Shareholder's equity			
Share capital	13	113,845	113,121
Contributed surplus	11	1,337	1,438
Accumulated deficit		(78,168)	(77,289)
		37,014	37,270
Total liabilities and shareholders' equity		$ 56,702	$ 55,209
Commitments and Contractual Obligations	16		
Subsequent Events	18		

See accompanying notes to the condensed interim consolidated financial statements

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

	Note	Three months ended September 30 2017	Three months ended September 30 2016	Nine months ended September 30 2017	Nine months ended September 30 2016
OPERATING ACTIVITIES					
Net income (loss) for the period		$ (179)	$ 234	$ (879)	$ (166)
Items not affecting cash:					
Depreciation and amortization		736	604	2,202	1,862
(Gain) loss on sale of assets		—	—	(133)	(54)
Share-based payments		13	77	552	441
Lease incentive		13	20	39	60
Amortized debt issue costs		3	—	6	—
Deferred income tax expense (recovery)		(30)	253	(162)	271
		556	1,188	1,625	2,414
Net change in non-cash working capital related to operations	14	(1,552)	1,827	(3,216)	1,171
Cash provided by (used in) operating activities		(996)	3,015	(1,591)	3,585
FINANCING ACTIVITIES					
Increase in bank indebtedness		1,876	253	1,973	51
Proceeds from long term debt		—	—	—	2,467
Repayment of long term debt		(82)	(107)	(283)	(257)
Repayment of finance lease		(78)	—	(243)	—
Proceeds from exercised options		—	—	583	—
Cash provided by financing activities		1,716	146	2,030	2,261
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(572)	(2,639)	(1,078)	(5,662)
Purchase of intangibles		(129)	(13)	(306)	(36)
Proceeds from sale of property, plant and equipment		—	—	837	132
Cash provided by (used in) investing activities		(701)	(2,652)	(547)	(5,566)
Net increase (decrease) in cash		19	509	(108)	280
Cash, beginning of period		80	311	207	540
Cash, end of period		$ 99	$ 820	$ 99	$ 820

Supplemental cash-flow information				
Cash interest paid	$ 88	$ 89	$ 272	$ 239
Cash taxes paid (refund)	$ (16)	$ —	$ (16)	$ 57

See accompanying notes to the condensed consolidated financial statements

BIG ROCK BREWERY INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
Unaudited
(In thousands of Canadian dollars)

	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2015	$ 113,121	$ 1,255	$ (76,836)	$ 37,540
Share-based payments	—	183	—	183
Total comprehensive loss	—	—	(166)	(166)
Balance as at September 30, 2016	113,121	1,438	(77,002)	37,557
Total comprehensive loss	—	—	(287)	(287)
Balance as at December 30, 2016	113,121	1,438	(77,289)	37,270
Share-based payments	—	40	—	40
Stock options exercised	724	(141)	—	583
Total comprehensive loss	—	—	(879)	(879)
Balance as at September 30, 2017	$ 113,845	$ 1,337	$ (78,168)	$ 37,014

See accompanying notes to the condensed interim consolidated financial statements

(In thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Financial Statements are unaudited and have been prepared in accordance with statement IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board. The financial statements were prepared using the same accounting policies, critical judgements and key estimates which the Corporation applied in its annual financial statements for the year ended December 30, 2016 and do not include certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. Accordingly, these Financial Statements should be read in conjunction with Big Rock's 2016 annual audited consolidated financial statements.

These Financial Statements were approved and authorized for issue by the Audit Committee of the Board of Directors on November 2, 2017.

2.2 Basis of presentation

These Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business and have been prepared on the historical cost basis, presented in Canadian dollars. All values are rounded to the nearest thousand dollars except where otherwise indicated.

2.3 Future accounting pronouncements

The IASB has issued the following pronouncements which are not yet effective:

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

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

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

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2018 and early adoption is permitted. The amended standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard requires classification of financial assets based on the reporting entity's business model objectives for managing those financial assets and the characteristics of the contractual cash flows. As a result, both the classification and measurement of certain financial assets may change. Additionally, for liabilities designated at fair value through profit and loss, fair value changes attributable to changes in credit risk will be presented through other comprehensive income instead of net income. These amendments introduce a single, forward – looking "expected loss" impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

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

- IFRS 15 *Revenue from Contracts with Customers* has been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2018. This standard will be effective for Big Rock fiscal year beginning on December 31, 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard also provides a model for the recognition and measurement of sales of certain non-financial assets (e.g., disposals of property, plant, and equipment).

- IFRS 16 *Leases* has been issued which will be required to be adopted effective for annual periods beginning on or after January 1, 2019, for Big Rock this standard will be effective for the fiscal year beginning December 31, 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

(In thousands of Canadian dollars, unless otherwise stated)

3. NET REVENUE

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Gross product revenues	$ 18,089	$ 15,803	$ 50,618	$ 43,861
Federal excise taxes	(1,926)	(1,480)	(4,844)	(4,052)
Provincial liquor tax programs	(3,764)	(2,654)	(10,290)	(7,122)
Net revenue	$ 12,399	$ 11,669	$ 35,484	$ 32,687

Gross product revenues include wholesale beer and cider revenues as well as retail store and restaurant sales. Net revenue for beer and cider includes gross sales to the provincial liquor control board less excise taxes and provincial liquor tax charges. Federal excise taxes are assessed on world-wide production of beer at tiered rates up to $31.84 per hectolitre and on flavoured cider production at $30.10 per hectolitre. Provincial liquor control board commissions cover distributions and other service charges.

During the three and nine months ended September 30, 2017, Big Rock received grant proceeds of $2,263 (2016 - $1,835) and $7,884 (2016 - $1,835), respectively, through the Alberta Small Brewers Development Grant ("ASBD") Program. Provincial liquor tax programs expense for the three and nine months ended September 30, 2017 includes grant proceeds of $3,113 (September 30, 2016 - $nil) and $9,248 (September 30, 2016 - $nil), respectively. As at September 30, 2017, $499 (December 30, 2016 - $609) is reflected as deferred revenue and included in Accounts payable and accrued liabilities.

4. COST OF SALES

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Operating expenses	$ 6,483	$ 5,659	$ 18,896	$ 16,556
Depreciation and amortization	620	468	1,849	1,455
Cost of sales	$ 7,103	$ 6,127	$ 20,745	$ 18,011

5. NET INCOME (LOSS) PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Net income (loss) for the period	$ (179)	$ 234	$ (879)	$ (166)
Shares outstanding, beginning of the period	6,981,628	6,875,928	6,875,928	6,875,928
Weighted average # of shares issued during the period	—	—	95,633	—
Basic # shares outstanding, end of period	6,981,628	6,875,928	6,971,561	6,875,928
Effect of stock options outstanding	—	—	—	—
Diluted # shares outstanding, end of period	6,981,628	6,875,928	6,971,561	6,875,928
Net income (loss) per share:				
Basic	$ (0.03)	$ 0.03	$ (0.13)	$ (0.02)
Diluted	$ (0.03)	$ 0.03	$ (0.13)	$ (0.02)

(In thousands of Canadian dollars, unless otherwise stated)

6. 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 for: the grant from Government of Alberta, holdback related to the sale of land, and GST balances. The Corporation does not hold collateral for receivable amounts outstanding as at September 30, 2017 or December 30, 2016.

The accounts receivable balances are comprised of:

As at	September 30, 2017	December 30, 2016
Provincial liquor boards	$ 1,248	$ 1,116
Other receivables	2,394	178
Total accounts receivable	$ 3,642	$ 1,294

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

As at	September 30, 2017	December 30, 2016
Less than 30 days	$ 3,069	$ 1,018
30 – 60 days	108	205
60 – 90 days	269	56
Over 90 days	196	15
Total accounts receivable	$ 3,642	$ 1,294

7. INVENTORIES

As at	September 30, 2017	December 30, 2016
Raw materials and containers	$ 1,594	$ 1,583
Brews in progress	1,048	1,162
Finished product	2,831	1,792
Consignment product	480	444
Retail inventory	148	163
Total inventories	$ 6,101	$ 5,144

During the three and nine months ended September 30, 2017, charges of $159 (2016 - $91) and $597 (2016 - $502), respectively, were recorded to cost of sales relating to obsolete, promotional and resale goods and damaged unusable packaging and finished goods inventory. During the three and nine months ended September 30, 2017, there were no reversals of amounts previously charged to income with respect to write-downs of inventory (2016 - $nil).

(In thousands of Canadian dollars, unless otherwise stated)

8. BANK INDEBTEDNESS AND LONG-TERM DEBT

On December 30, 2016, Big Rock signed a commitment letter to revise the Corporation's bank debt. The Corporation has a $5 million revolving operating loan facility and a $6 million 5-year term revolving loan facility. The revolving operating loan facility is available for general operating purposes and funding capital expenditures as required. The $6 million 5-year term revolving loan facility is available to fund capital expenditures. Advances under the credit facilities may be made by way of Canadian prime rate loans and letters of credit. Interest is payable for prime-based loans under the revolving operating facility at the financial institution's prime rate plus 0.75 percent and on the term facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable. Both facilities mature after a term of 5 years and any undrawn amounts under the facilities will expire on March 23, 2021, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month earnings before interest, taxes and depreciation ("EBITDA"), less an amount for maintenance capital compared to the rolling 12-months fixed charges. Fixed charges are the sum of principal repayments, interest, dividends and income taxes paid. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. Big Rock was in compliance with its covenants at September 30, 2017.

As at September 30, 2017, bank indebtedness was $4,816 (December 30, 2016 - $2,843), of which $4,270 was outstanding on the operating loan facility (December 30, 2016 - $2,435). Subsequent to September 30, 2017, Big Rock converted $1,000 of its operating loan to the term revolving facility.

As at	September 30, 2017	December 30, 2016
Term debt	$ 3,250	$ 3,533
Finance lease (Note 9)	—	2,500
Debt issue costs	(26)	(32)
	3,223	6,001
Current portion	(334)	(662)
Long term debt	$ 2,890	$ 5,339

(In thousands of Canadian dollars, unless otherwise stated)

9. OBLIGATION UNDER FINANCE LEASE

As at	September 30, 2017			December 30, 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 439	$ 114	$ 325	$ —	$ —	$ —
Between one and five years	2,177	245	1,932	—	—	—
	2,616	359	2,257	—	—	—
Reported as:						
Current portion			$ 325			$ —
Long term portion			1,932			—
Present value of finance lease			$ 2,257			$ —

On July 9, 2015, Big Rock signed a commitment letter for a $2.5 million finance lease facility which was available to purchase certain equipment relating to the Corporation's Ontario expansion. On January 25th, 2017, the finance facility was converted to a sale and leaseback arrangement for $2.5 million.

The lease agreement matures after a term of five years and the interest rate of 5.42% is fixed at the contract date. Lease repayments are fixed and no arrangements have been entered into for contingent rental payments.

As of September 30, 2017, the net carrying amount of the leased assets is $2,370. The depreciation of the assets recorded under finance lease is included in the cost of sales on the Condensed Interim Consolidated Statements of Comprehensive Income (Loss). The obligation under finance lease is secured by the lessor's rights over the leased assets.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Corporation are principally comprised of amounts outstanding for trade purchases relating to production, selling, and general and administrative activities. The usual credit period taken for trade purchases is between 30 to 90 days. The following is an aged analysis of the trade and other payables:

As at	September 30, 2017	December 30, 2016
Less than 30 days	$ 3,802	$ 3,900
30 – 60 days	73	37
60 – 90 days	14	—
Over 90 days	21	—
Total accounts payable and accrued liabilities	$ 3,910	$ 3,937

(In thousands of Canadian dollars, unless otherwise stated)

11. SHARE-BASED PAYMENTS

Big Rock has a Share Option Plan and a Share Appreciation Rights ("SAR") Plan both of which are a component of overall compensation of directors, officers, and employees of the Corporation. The Compensation and Human Resources Committee of the Board of Directors of Big Rock determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

11.1 Share option plan

The Corporation has a share option plan which permits the Board of Directors of the Corporation to grant options to acquire common shares of the Corporation at the volume weighted average closing price for the five days preceding the date of grant. Share options that were granted in 2017 vest over four years, with one fifth vesting immediately, followed by one fifth vesting on each anniversary date. Prior to 2017, granted options vested immediately. All options are exercisable for five years after grant date. The Corporation is authorized to issue options for a maximum of 10% of the issued and outstanding common shares pursuant to the share option plan.

The following is a summary of option transactions under the Corporation's Share Option Plan:

As at	September 30, 2017			December 30, 2016		
	# of options	Weighted average exercise price ($)	Remaining life (years)	# of options	Weighted average exercise price ($)	Remaining life (years)
Balance, beginning of year	585,000	$ 11.56		517,000	$ 13.10	
Granted	75,000	7.75		117,000	5.64	
Exercised	(105,700)	5.51		—	—	
Expired	—	—		(49,000)	13.74	
Cancelled	(479,300)	12.89		—	—	
Balance, end of period	75,000	$ 7.75	4.94	585,000	$ 11.56	2.46
Exercisable, end of period	15,000	$ 7.75	4.94	585,000	$ 11.56	2.46

The weighted average fair value of options granted was estimated using the Black-Scholes option pricing model using the following assumptions:

	2017	2016
Exercise price ($/share)	7.75	5.64
Weighted average fair value ($)	2.35	1.57
Risk-free interest rate (%)	1.72	0.64
Expected life (years)	4.9	4.0
Dividend yield (%)	0	0
Forfeiture rate (%)	0	0
Volatility (%)	35.6	34.9

A share-based compensation charge of $40 (2016 – $104) and $40 (2016 - $183) were recorded for the three and nine months ended September 30, 2017 in the Statement of Comprehensive Loss and is included in general and administrative expenses.

(In thousands of Canadian dollars, unless otherwise stated)

11.2 Share appreciation rights plan

The Board of Directors may issue an unlimited number share appreciation rights ("SAR") under the SAR Plan. SARs that were issued in 2017 vest over two years, with one third vesting immediately, one third vesting on year one and the balance vesting on year two. Prior to 2017, issued SARs vested immediately. All SARs are exercisable for five years after grant date. The exercise of SARs is settled in cash. At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the Statement of Financial Position and as a compensation expense in the Consolidated Statements of Comprehensive Income (Loss).

As at September 30, 2017, the fair value of the SARs resulted in a liability of $786 (December 30, 2016 - $336). A recovery of $27 (2016 – a recovery of $19) and an expense of $512 (2016 - $266) were recorded for the three and nine months ended September 30, 2017 in general and administrative expenses.

The weighted average fair value of the SARs outstanding at the balance sheet date was estimated using the Black-Scholes option pricing model and the weighted average assumptions used for the calculations were:

	2017 Sep 7	2017 March 2	2016 March 10
SARs granted (#)	100,000	156,000	79,000
Exercise price ($)	7.75	6.16	5.12
Weighted average fair value ($)	2.35	2.83	3.13
Risk-free interest rate (%)	1.74	1.69	1.61
Expected life (years)	4.93	4.42	3.44
Dividend rate (%)	0.00	0.00	0.00
Volatility (%)	35.6	35.6	35.6

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

As at	September 30, 2017			December 30, 2016		
	# of SARs	Weighted average exercise price ($)	Remaining life	# of SARs	Weighted average exercise price ($)	Remaining life
Balance, beginning of year	426,900	$ 10.99		391,900	$ 12.24	
Granted	256,000	6.78		79,000	5.12	
Exercised	(36,000)	5.47		(12,000)	5.47	
Forfeited	(67,000)	13.04		(32,000)	13.85	
Balance, end of period	579,900	$ 9.24	3.22	426,900	$ 10.99	2.56
Exercisable, end of period	409,220	$ 10.26	2.63	426,900	$ 10.99	2.56

12. LEASE INCENTIVE LIABILITY

At September 30, 2017, Big Rock had a lease incentive liability of $225 (December 30, 2016 - $186) associated with the Corporation's building leases. Amortization is recorded on a straight line basis over the term of the leases and included in expenses.

(In thousands of Canadian dollars, unless otherwise stated)

13. SHARE CAPITAL

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

As At	September 30, 2017		December 30, 2016	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding at beginning of period	6,875,928	$ 113,121	6,875,928	$ 113,121
Shares issued upon exercise of options	105,700	724	—	—
Outstanding at end of period	6,981,628	$ 113,845	6,875,928	$ 113,121

14. CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Accounts receivable	$ (989)	$ 1,315	$ (1,935)	$ 256
Inventories	(125)	(534)	(957)	(940)
Prepaid expenses	592	261	(109)	94
Accounts payable and accrued liabilities	(958)	663	(27)	1,761
Current taxes receivable/payable	(10)	122	(126)	—
Share-based payment liabilities	(62)	—	(62)	—
Total change in non-cash working capital	$ (1,552)	$ 1,827	$ (3,216)	$ 1,171

15. SEGMENTED INFORMATION

For the three months ended September 30

	Wholesale		Retail		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Net Revenue	$ 11,867	$ 11,398	$ 739	$ 459	$ (207)	$ (188)	$ 12,399	$ 11,669
Cost of sales	6,524	5,768	786	547	(207)	(188)	7,103	6,127
Gross profit	5,343	5,630	(47)	(88)	—	—	5,296	5,542
Selling expenses	4,176	3,414	40	20	—	—	4,216	3,434
Segment profit	$ 1,167	$ 2,216	$ (87)	$ (108)	$ —	$ —	$ 1,080	$ 2,108
General & administrative costs							1,123	1,556
Depreciation and amortization							116	136
Operating income (loss)							(159)	416
Finance expense							78	89
Other income							2	23
Income (loss) before income taxes							$ (235)	$ 350

(In thousands of Canadian dollars, unless otherwise stated)

15. SEGMENTED INFORMATION (continued)

For the nine months ended September 30

	Wholesale		Retail		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Net Revenue	$ 34,006	$ 31,691	$ 2,053	$ 1,500	$ (575)	$ (504)	$ 35,484	$ 32,687
Cost of sales	18,770	17,003	2,550	1,512	(575)	(504)	20,745	18,011
Gross profit	15,236	14,688	(497)	(12)	—	—	14,739	14,676
Selling expenses	11,316	9,762	99	33	—	—	11,415	9,795
Segment profit	$ 3,920	$ 4,926	$ (596)	$ (45)	$ —	$ —	$ 3,324	$ 4,881
General and administrative costs							4,041	4,520
Depreciation and amortization							353	407
Operating Loss							(1,070)	(46)
Finance expense							265	238
Other income							152	105
Loss before income taxes							$ (1,183)	$ (179)

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Big Rock has entered into various commitments for expenditures covering utilities, raw materials, marketing initiatives and leasing of facilities. The commitments, which cover a twelve-month period from September 30, 2017 for the next 5 years are as follows:

	2018	2019	2020	2021	2022	thereafter
Utilities contracts	$ 76	$ 19	$ —	$ —	$ —	$ —
Raw material purchase commitments	3,257	922	14	14	—	—
Marketing sponsorships	336	182	18	—	—	—
Operating leases	704	701	718	765	766	1,659
Long term debt repayments	479	479	1,457	1,233	—	—
Finance lease repayments	439	439	439	439	860	—
Total	$ 5,291	$ 2,742	$ 2,646	$ 2,451	$ 1,626	$ 1,659

Big Rock has entered into operating lease agreements for storage facilities, warehouses, breweries, and retail locations. The remaining lease terms range between four and 10 years. Certain leases contain extension and renewal options. Operating lease payments of $550 (2016 - $668) were recognized as an expense in the Condensed Interim Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2017.

17. COMPARATIVE AMOUNTS

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

18. SUBSEQUENT EVENTS

The Corporation executed a binding sales agreement on January 20, 2017 to sell a total of 3.6 acres of undeveloped land for gross proceeds of $2,538. The land has been sold in two parcels. The first parcel closed in April 2017, and the second closed in October, 2017. Pursuant to the sales agreement, Big Rock committed to certain upgrades to the land that address municipal water management requirements. The purchaser is withholding approximately $41, which will be released to Big Rock upon closure of the permit by the City of Calgary.