BIG ROCK BREWERY

2018 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

in thousands of Canadian dollars, Except volumes, per share amounts and shares	2018	2017
Sales volume (hectolitres) (1)	201,577	208,565
Net revenue	48,748	46,573
Gross profit	20,812	18,897
Operating income (loss)	931	(1,037)
Net income (loss)	360	(1,020)
Income (loss) per share - basic and diluted	$ 0.05	$ (0.15)
Common shares outstanding	6,981,628	6,981,628
Total assets	56,740	53,481
Total debt (2)	5,775	6,416

(1) Excludes contract manufacturing volumes due to the nature of the agreements
(2) Includes bank indebtedness, long term debt, and obligations under finance leases; excludes license obligations.

Annual Meeting of Shareholders

The annual meeting of Big Rock shareholders will be held at:
Big Rock Brewery, 5555 - 76th Avenue SE, Calgary, AB, Canada
Thursday, May 9, 2019 at 2:00 pm (MST).

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CEO'S MESSAGE

To: Big Rock Shareholders

I am very pleased with the progress we have made in 2018. We engaged our people to improve pricing initiatives, reduce costs and increase the utilization of our assets to improve margins. We implemented a 90-day project formal management system called "The Big Rock Way" and engaged 42% of our employee base in projects. Despite competing in a market that is flat to declining, we grew net revenue by 4.7% to $48.7 million, EBITDA(1) by 118% to $4.2 million, and EBITDA as a percentage of net revenue improved from 4.1% in 2017 to 8.5% in 2018. In 2019, we will look to train more leaders in The Big Rock Way and increase the engagement of our employee base in projects to improve the overall business(2).

Big Rock beer and ciders continued to be recognized with awards in their respective, highly competitive categories. To name a few, Rock Creek Peach Cider won silver at the Canadian Cider Awards, Rock Creek Pear Cider was awarded "Judges Selection" at the Alberta Beverage Awards, and Traditional Ale (English Style Brown Ale) and Pilsner (Czech Style) were both winners at the Alberta Beverage Awards. Additionally, our Lambic-style beers continue to turn heads. Most notably our limited-edition Flemish Red was awarded "Best in Show" at the Alberta Beer Awards.

In the fourth quarter of 2018, we completed the purchase of the physical assets of Fireweed Brewing Corp. and recently completed the installation of the assets in our Vancouver brewery. In line with our strategy to increase the utilization of our assets in our portfolio, we plan to operate the Vancouver brewery at its designed capacity in 2019(2). The addition of the Fireweed brands to our portfolio should significantly improve our overall performance in British Columbia by improving the margins in that market(2).

In late 2018, the Alberta mark-up and grant structure was amended for the fifth time in the last six years, this time having an unprecedented negative impact on our going concern top-line performance if unchanged. Since the amendment, we have had continued engagement with Alberta government representatives to find a long term, sustainable solution that provides an economic environment that supports growth for Alberta craft brewers, while requesting financial support in the interim.

In 2019, we have several new innovative product launches planned that I am excited to release to consumers and aligning with our mission of "All for Craft, Craft for All". We will continue to monitor and evaluate new trends and opportunities, while remaining dedicated to the customer and remaining focused on being Canada's authentic craft brewery, since 1985(2).

Sincerely,

Wayne Arsenault
President & CEO

(1) See "Non-GAAP Measures" in the Management's Discussion and Analysis for the year ended December 30, 2018 enclosed herewith (the "MD&A").
(2) See "Forward Looking Statements" in the MD&A.

BIG ROCK
BREWERY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. ("**Big Rock**" or the "**Corporation**") for the years ended December 30, 2018 and 2017.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Corporation and accompanying notes as at and for the years ended December 30, 2018 and 2017 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**") and 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, 2018, 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 section "Forward-Looking Information" contained at the end of this document. This MD&A is dated March 14, 2019.

CORPORATE PROFILE

Big Rock is headquartered in Calgary, Alberta. The Corporation produces premium, all-natural craft beers and ciders. As Canada's largest independently owned craft brewer, Big Rock has an extensive 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. Today, Big Rock's primary brewing, packaging and warehousing facility is located in Calgary, Alberta and has been in operation since 1996. Big Rock has distribution facilities in Calgary and Edmonton, and sales staff resident in Alberta, BC, Saskatchewan, Manitoba and Ontario.

In April 2015, Big Rock opened a brewery and eatery in Vancouver, BC's thriving downtown craft beer district. This combined brewery and brewpub serves on-premise consumers 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 Liberty Commons at Big Rock Brewery tasting room and restaurant.

Given the Corporation's footprint in Western Canada, the Corporation also has several co-packaging arrangements through private label agreements, and most recently, in 2018, co-manufacturing agreements.

INDUSTRY TRENDS AND INDICATORS

The craft beer industry continues to be a highly competitive market in Canada, as new craft breweries continue to enter the marketplace. Additionally, Canadian consumer trends towards healthier product offerings has fueled the market growth in lower calorie offerings in the Ready-to-Drink ("**RTD**") category. Despite increased competitive pressures, Big Rock continues to be the leading craft brand in Alberta and continues to find success as a pioneer of the Canadian craft beer industry, as it has for the last 33 years. However, given its assets, distribution footprint and ability to create high quality beverages, the Corporation is actively evaluating opportunities to diversify its revenue streams both by volume and geographically.

In addition, with the use of recreational cannabis being legalized in Canada on October 17, 2018, and the expected legalization of cannabis edibles expected in Fall 2019, the Corporation continues to evaluate the market and opportunities within. Despite the legalization of recreational cannabis, the Corporation has not experienced a negative impact in its current markets to-date. However, the Corporation believes that, the recreational cannabis industry may pose market share risk on the craft beer industry over time, particularly once the variance in offerings for consumption widens and the consumer experience becomes more controlled.

During the fourth quarter of 2018, the Corporation closed an asset purchase and licensing transaction (the "**Fireweed Transaction**") with Fireweed Brewing Corp. (“**Fireweed**”), which allowed the Corporation to expand its brewing capacity in Vancouver, in addition to providing the Corporation with a new revenue stream from the production and sale of Fireweed trademarked products in BC and Alberta.

In June 2018, an Alberta Trade Review panel ordered that the Alberta Small Brewers Development (“**ASBD**”) grant program be repealed or revised within six months, as it was found to place beer producers from other provinces at a competitive disadvantage in the Alberta market. On November 26, 2018, the Alberta government announced the cancellation of the ASBD grant program, effective December 15, 2018, and a graduated mark-up system for Alberta producers of less than 50,000 hectolitres per year. As a result, the Alberta government imposed a significant tax increase on Big Rock’s sales volumes with the revision. The Corporation will continue to work with the Alberta government to design a new tax system that is fair and compliant for breweries in Alberta of the Corporation’s size. In the interim, the Corporation has requested and expects to rely on the financial support from the Alberta government in order to support the Corporation’s growth and operations in 2019.

SELECTED ANNUAL FINANCIAL INFORMATION

	Year Ended December 30		
($000, except volumes and per share amounts)	**2018**	2017	2016
Sales Volumes (hl)[1]	201,577	208,565	199,454
Statements of Comprehensive Income Data			
Net revenue	48,748	46,573	43,126
EBITDA[2]	4,150	1,907	2,416
Operating profit (loss)	931	(1,037)	(266)
Net income (loss)	360	(1,020)	(453)
Per share – basic and diluted	$ 0.05	$ (0.15)	$ (0.07)
Statements of Financial Position Data			
Total assets	56,740	53,481	55,209
Total debt[3]	5,775	6,416	8,844

(1) Excludes contract manufacturing volumes due to the nature of the agreements.
(2) Non-GAAP Measure. See “*Non-GAAP Measures*”.
(3) Includes bank indebtedness, long term debt, and obligations under finance leases; excludes license obligations.

SELECTED QUARTERLY FINANCIAL INFORMATION

Big Rock experiences seasonal fluctuations in volumes, net sales revenue and net income with the second and third quarters typically being stronger than the first and fourth quarters. 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.

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

($000, except hl and per share amounts)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volumes (hl)[1]	49,013	55,741	56,012	40,811	46,788	56,823	61,477	43,477
Net revenue	11,991	13,764	13,527	9,466	11,089	12,399	13,496	9,589
EBITDA[2]	1,075	1,563	1,246	266	623	579	1,118	(413)
Operating profit (loss)	216	747	473	(505)	33	(159)	246	(1,157)
Net income (loss)	(80)	587	240	(387)	(141)	(179)	207	(907)
Earnings per share (basic and diluted)	$ (0.01)	$ 0.08	$ 0.04	$ (0.06)	$ (0.02)	$ (0.03)	$ 0.03	$ (0.13)
$ Per /hl Amounts[1]								
Net revenue	244.65	246.93	241.50	231.95	237.01	218.20	219.53	220.55
Cost of sales	146.10	136.94	135.15	136.53	148.14	125.00	124.88	137.20
Selling expenses	63.55	65.48	65.72	76.35	61.45	74.19	63.50	75.79
General and administrative	27.24	28.88	30.08	28.55	24.22	19.76	25.23	31.44
Operating profit (loss)	4.41	13.40	8.46	(12.40)	0.71	(2.80)	4.00	(26.61)
Net income (loss)	(1.63)	10.53	4.30	(9.51)	(3.01)	(3.15)	3.37	(20.86)

(1) Excludes contract manufacturing volumes due to the nature of the agreements.
(2) Non-GAAP Measure. See "*Non-GAAP Measures*".

RESULTS OF OPERATIONS

Big Rock reported net income of $360 for the year ended December 30, 2018, compared to net loss of $1,020 in 2017. The increase in net income is primarily due to the transition and rationalization of value streams undertaken throughout the year, as well as a focus on asset capacity utilization, which resulted in increases of 4.7% and 10.1% in net revenue and gross profit, respectively, in 2018.

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.

SEGMENTED RESULTS

For the year ended December 30	Wholesale		Retail		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Net Revenue	$ 47,144	$ 44,666	$ 2,245	$ 2,660	$ (641)	$ (753)	$ 48,748	$ 46,573
Cost of sales	25,351	24,906	3,226	3,523	(641)	(753)	27,936	27,676
Gross profit (loss)	21,793	19,760	(981)	(863)	—	—	20,812	18,897
Selling expenses	13,537	14,167	25	123	—	—	13,562	14,290
Segment profit (loss)	$ 8,256	$ 5,593	$ (1,006)	$ (986)	$ —	$ —	7,250	$ 4,607
General and administrative costs							5,795	5,174
Depreciation and amortization							524	470
Operating profit (loss)							931	(1,037)
Finance expense							327	333
Other income							18	2
Income (loss) before income taxes							$ 622	$ (1,368)

Net Revenue

Net revenue includes wholesale beer and cider sales, 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 in 2018, followed by BC and Ontario.

	Year ended December 30		
($000, except volumes)	2018	2017	Change
Sales volumes (hl)[(1)]	201,577	208,565	(6,988)
Gross revenue	66,983	65,523	1,460
Federal excise taxes	(6,003)	(5,822)	(181)
Provincial liquor tax programs	(12,232)	(13,128)	896
Net revenue	**48,748**	**46,573**	**2,175**
Net revenue by segment			
Wholesale	46,503	43,913	2,590
Retail	2,245	2,660	(415)
Net revenue	**48,748**	**46,573**	**2,175**
$ per hl[(1)]			
Wholesale net revenue	230.70	210.55	20.15

(1) Excludes contract manufacturing volumes due to the nature of the agreements.

Sales volumes were 201,577 hl for the year ended December 30, 2018, which represents a decrease of 6,988 hl (3.4%), compared to the prior year reflecting the rationalization of value streams, increased market competition and an increased focus on contract manufacturing.

Big Rock branded product sales decreased in 2018, particularly in Alberta, largely due to the discontinued brands, reduction in the number of seasonal offerings and increased competition. AGD keg sales continued to increase in the fourth quarter and fiscal 2018, compared the fourth quarter and fiscal 2017, while bottle sales volumes continue to decline as the consumer switch to cans continues.

Gross revenue was $66,983 for the year ended December 30, 2018, an increase of $1,460 (2.2%) compared to the prior year, reflecting strong sales volumes of certain product offerings and increased pricing, particularly in the third and fourth quarters, in addition to a material amount of new revenue coming from contract manufacturing. Federal excise taxes decreased in the fourth quarter and the year ended December 30, 2018, due to the change in filing requirement from production volume basis to sales volume. Provincial liquor taxes decreased by $896 in fiscal 2018, compared to the prior year as a result of an increase in contract manufacturing revenues, which provincial liquor taxes are the counterparties' obligation. As a result, net revenue was $48,748 for the year ended December 30, 2018, which represents an increase of $2,175 (4.7%) as compared to fiscal 2017.

Wholesale Revenue

Wholesale net revenue increased by $2,590 (5.9%) despite sales volumes decreasing by 6,988 hl (3.4%), for the year ended December 30, 2018, as compared to the prior year. The net revenue increases, on a percentage basis, are higher than volume increases in the fourth quarter of 2018 reflecting price increases on value and private label brand categories.

In 2018, despite a slight decline the portfolio beer and cider volumes, as compared to same periods in the prior year, the gross profit has improved significantly in cider, core brands and value brands due to the focus on competitively pricing Big Rock products. Discontinuation of Bow Valley Strong resulted in a decrease in private label volumes, which was offset by continued growth in other private label brands and contract brewing. Additionally, the introduction of a new revenue stream, contract manufacturing, in the third and fourth quarters supported Big Rock's growth in net revenue.

Retail Revenue

Retail net revenue decreased by $415 (15.6%) for the year ended December 30, 2018 compared to the same period in 2017 mainly due to a decline in sales at the BC restaurant as the Company contemplated various transaction scenarios with Fireweed.

Cost of Sales

Cost of sales was $27,936 for fiscal 2018, an increase of $260 from fiscal 2017. Cost of sales represented 57.3% of net revenue in 2018, an improvement of 2.1% from 59.4% in 2017. The improvement was due to production efficiency projects undertaken throughout 2018, in addition to the pursuit of co-manufacturing business with a focus on increased asset capacity utilization. Cost increases in materials, overhead and labour due to increased production volume from co-manufacturing were offset by material improvements realized in beer waste management and retail and restaurant cost savings in BC.

Selling Expenses

Selling expenses decreased for the year ended December 30, 2018 by $728 to $13,562, as compared with the same period last year, due to the following:

- Delivery and distribution costs decreased by $56 due to planning efficiencies achieved throughout the year and distribution savings realized in Q4 2018 as a result of the Fireweed transaction.

- Salaries and benefit costs increased by $281, primarily due to the hiring of general managers in BC and Ontario and shifts in employee roles within the Corporation.

- Marketing and sales costs decreased by $953 as result of a focus on productivity gains and a reduction in the number of introductions of new seasonal brands.

General and Administrative Expenses

General and administrative expenses increased by $621 to $5,795 for the year ended December 30, 2018, as compared with the same period last year, primarily due to employee bonus accrual (versus no employee bonuses paid in 2017) offset by the capitalization of professional fees related to the Fireweed transaction.

G&A expenses were 11.9% of net revenue in fiscal 2018, versus 11.1% in fiscal 2017.

Finance Expenses

Finance expenses slightly decreased in fiscal 2018 by $6 to $327, relative to fiscal 2017, due to lower average borrowings outstanding offset by an increase in the prime lending rate throughout 2018.

Depreciation and Amortization

Depreciation and amortization expense were $524 in fiscal 2018, versus $470 in fiscal 2017. The increase relates to an increase in intangible assets associated with the Fireweed transaction.

Other Income

Other income was $18 in fiscal 2018, compared to $2 in fiscal 2017.

Income Taxes

A current income tax recovery of $71 was recorded for the year ended December 30, 2018 which reflects taxes recoverable arising from a loss carry back, in addition to a deferred tax expense of $333 recorded in fiscal 2018. The deferred income tax provision differs from the statutory rate of 27.07% (2017 – 26.85%) 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, 2017 to December 30, 2018:

($000, unless otherwise stated)	Increase/ (Decrease)	Primary factors explaining change
Accounts receivable	220	Increase due to grants receivable but offset by overall decrease in customer amounts
Inventories	418	Increase in brews in progress and finished goods due to timing of the production schedule
Prepaid expenses & deposits	119	Increase in community sponsorship due to timing of planned events
Current income taxes	197	Increase due to income taxes on grants revenue recovered
Property, plant and equipment (including land held for sale)	(1,062)	Additions of Fireweed production assets offset by asset disposals and depreciation charges
Intangible assets	1,830	Addition of Fireweed license
Bank indebtedness	79	Increase in the combined balances of outstanding cheques and the Operating Facility balance
Accounts payable & accrued liabilities	1,209	Timing of supplier payments
Share-based payments	(182)	Decrease in share price and former management's forfeiture of share appreciation rights offset by issuance of new stock options for current management
Long term debt & finance lease	(720)	Net repayment of term loans and finance lease
License obligation	1,720	Increase due to Fireweed license
Lease incentive	32	Amortization of incentive
Deferred income taxes	333	Tax effect of changes in temporary differences

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

As at December 30, ($000, unless otherwise stated)	2018	2017
Cash	$ (1,902)	$ (168)
Total debt[2]	5,775	6,416
Net debt[1]	3,873	6,248
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,578	1,347
Accumulated deficit	(76,839)	(77,199)
Total shareholders' equity	38,584	37,993
Total capitalization (total debt plus shareholders' equity, net of cash) [1]	$ 42,457	$ 44,241
Net debt to capitalization ratio [1]	9.1%	14.1%

(1) Non-GAAP measure. See "*Non-GAAP Measures*".
(2) Includes bank indebtedness, long term debt, and obligations under finance leases; excludes license obligations.

Capital Strategy

The Corporation defines its total capitalization to include common shares of the Corporation ("**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.

The Corporation 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 had a positive working capital position of $4,557 at December 30, 2018, compared to a positive working capital position of $3,533 at December 30, 2017.

As at December 30, 2018, the Corporation had total current assets and total current liabilities of $11,178 and $6,621, respectively, compared to $8,687 and $5,154, respectively, as at December 30, 2017. The increase in current assets can be attributed to an increase in the Corporation's cash balances and an increase in finished goods inventory due to customer orders, in anticipation of the price increases in December. The increase in current liabilities can be attributed to an increase in the Corporation's accounts payable balance, primarily due to increase in customer orders as well as the bonus accrual.

Given the current tax environment for beer in Alberta, the Corporation has requested and expects to rely upon the financial support of the Alberta government, while the Alberta government continues to evaluate new policy, in the interim.

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 of Big Rock (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) net debt (debt less cash) to EBITDA and (ii) EBITDA to debt repayments, interest, income taxes and dividends paid ("**Fixed Charges**"). Net debt to EBITDA is calculated by dividing net debt 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:

	Year ended December 30		
($000, except volumes)	2018	2017	Change
Net income (loss)	360	(1,020)	1,380
Addback:			
Interest	327	333	(6)
Taxes	262	(348)	610
Depreciation and amortization	3,201	2,942	259
EBITDA[1]	**4,150**	**1,907**	**2,243**

[3] 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 "*Cash Flows from Financing Activities*".

Cash Flow from Operating Activities

Cash provided by operating activities for the year ended December 30, 2018 totalled $4,608, an increase of $3,194 compared to the prior year. This increase is due to an increase in net income and an increase in non-cash working capital, which was mainly due to an increase in accounts receivable.

Cash Flow from Financing Activities

Cash used in financing activities for the year ended December 30, 2018 decreased by $1,197 compared to 2017, as the Corporation continued to make principal repayments on its outstanding balances on its term revolving loan facility and its finance lease, offset by an increase in bank indebtedness which includes outstanding cheques.

The Corporation has a $5 million revolving operating loan facility (the "**Operating Facility**") and a $6 million 5-year revolving term loan facility (the **"Term Facility"**). The Operating Facility is available for general operating purposes and funding capital expenditure requirements. The Term Facility is available to fund capital expenditures. Advances under both 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 Operating Facility at the financial institution's prime rate plus 0.75 and on the Term Facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable.

Both facilities mature after a term of 5 years and any undrawn amounts under the 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 facilities impose a number of positive and negative covenants on Big Rock, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month earnings before interest, taxes and depreciation, less an amount for maintenance capital compared to the rolling 12-months Fixed Charges. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. Big Rock was in compliance with its covenants at December 30, 2018.

As at December 30, 2018, bank indebtedness was $163 (2017 - $84), of which $nil was outstanding on the operating loan facility (2017 - $nil).

As at December 30,	2018	2017
Term debt	$ 3,778	$ 4,181
Debt issue costs	(13)	(26)
	3,765	4,155
Current portion	(409)	(417)
Long term debt	$ 3,356	$ 3,738

On October 18, 2018, the Corporation closed an asset purchase and licensing transaction with Fireweed. As part of the license agreement entered into, the Corporation is to pay Fireweed a fee calculated based on sales volumes of Fireweed trademarked products, on a monthly basis, with a maturity date of December 31, 2024.

As at December 30,	2018	2017
License obligation	$ 1,720	$ —
Current portion	(138)	—
License obligation	$ 1,582	$ —

On January 25, 2017, Big Rock converted a $2.5 million finance facility to a sale and leaseback arrangement. The lease agreement matures after a term of five years with a fixed interest rate of 5.42%. Lease repayments are fixed, and no arrangements have been entered for contingent rental payments.

As at December 30,	2018	2017
Current portion	$ 347	$ 329
Long term portion	1,500	1,848
Total finance lease	$ 1,847	$ 2,177

As of December 30, 2018, the net carrying amount of the leased assets is $2,206 (2017 – $2,338). The depreciation of the assets recorded under finance lease is included in the cost of sales on the Consolidated Statements of Comprehensive Loss. The obligation under finance lease is secured by the lessor's rights over the leased assets.

Cash Flow from Investing Activities

During the year ended December 30, 2018, a total of $2,361 was spent on capital expenditures, compared to $2,081 for the same periods in 2017. A majority of the expenditures were for Fireweed production equipment and licenses.

During 2018, proceeds of $141 were received during 2018 from the sale of unused bottling line assets and kegs.

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 five years are as follows:

	2019	2020	2021	2022	2023	thereafter
Utilities contracts	$ 30	$ 30	$ 14	$ —	$ —	$ —
Raw material purchase commitments	206	15	15	—	—	—
Marketing sponsorships	214	105	—	—	—	—
Operating leases	696	736	765	770	775	691
Long-term debt	409	431	456	482	508	1,492
License obligation	138	145	151	158	166	962
Finance lease repayments	347	367	387	746	—	—
Total	$ 2,040	$ 1,829	$ 1,788	$ 2,156	$ 1,449	$ 3,145

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 $736 (2017 - $697) were recognized as expense in the Consolidated Statements of Comprehensive Income for the year ended December 30, 2018.

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.

SHAREHOLDERS' CAPITAL

Big Rock is authorized to issue an unlimited number of Common Shares with no par value. The Common Shares trade on the Toronto Stock Exchange under the symbol "BR". As at March 14, 2019, Big Rock had the following issued and outstanding:

- 6,981,628 Common Shares;
- 406,802 time-based share appreciation rights ("**SARs**");
- 81,000 market-performance SARs;
- 260,000 time-based options; and
- 69,000 market-performance options.

During fiscal 2018, the Corporation granted 166,350 time-based SARs and 185,000 time-based options, as part of the share appreciation rights plan of the Corporation (the "**SARs Plan**") and share option plan of the Corporation ("**Share Option Plan**"), respectively.

The Board of Directors may issue an unlimited number of SARs under the SARs Plan. SARs granted under the SARs Plan are exercisable for a period of up to five years from date of grant, at an exercise price that is equal to the weighted average price at which the Common Shares have traded during the five trading days immediately preceding the date of grant. The exercise of SARs is settled in cash.

Big Rock has granted stock options to certain officers and directors of the Corporation pursuant to the Share Option Plan. Options granted under the Share Option Plan are exercisable for a period of up to five years from date of grant, at an exercise price that is equal to the weighted average price at which the Common Shares have traded during the five trading days immediately preceding the date of grant.

See Notes 20 and 21 to the Consolidated Financial Statements for more detailed 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.

Premium beers from other craft breweries are continuously entering the market and the large national and multi-national brewers have products that compete directly with craft beers. In addition, there has been an increased number of imports 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 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.

Tax Risk

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 "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.

The mark-up structure in Alberta has changed five times in the last six years, contributing to market uncertainty and has impacted Big Rock's results in a corresponding manner. In particular, changes announced by the Alberta government in July 2016 replaced the former graduated mark-up rate structure with a flat mark-up rate of $1.25 per litre and a grant program for Alberta small breweries. In June 2018, a Trade Review panel ordered that the Alberta government's small brewers' grant program must be repealed or revised within six months, as it was found to put beer producers from other provinces at a competitive disadvantage in the Alberta market. On November 26, 2018, the Alberta government announced the cancellation of the ASBD grant program as of December 15, 2018 and a graduated mark-up system for Alberta producers of less than 50,000 hectolitres per year. As a result, the Alberta government imposed a significant tax increase on Big Rock's sales volumes with the revision. The Corporation will continue to work with the Alberta government to design a new policy that is fair and compliant for breweries in Alberta of the Corporation's size. In the interim, the Corporation has requested and expects to rely on the financial support from the Alberta government in order to support the Corporation's growth and operations in 2019. There is no certainty that any future policies will be in the best interests of the Corporation and its shareholders, nor that the Corporation will receive any future funding from the province of Alberta.

As Alberta is the Corporation's predominant market, future changes to this mark-up rate structure could have significant impacts on the Corporation's financial results. The Corporation will continue to assess and evaluate the longer-term implications of these recent changes and continues to evaluate the long-term business plan in order to mitigate the risk of mark-up rate structure fluctuations.

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. The Corporation 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 year ended December 30, 2018 was 4.58% (2017 – 4.63%).

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.

Liquidity Risk

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

The Corporation expects to rely on funding from the Alberta government to help fund its future operations, if the current provincial tax environment for beer persists. In the event the Corporation does not receive such funding or that future tax and/or regulatory policies of the Alberta government are not in the best interest of the Corporation and its shareholders, the Corporation may be forced to find other funding for its operations at the risk of Big Rock's operations becoming materially harmed.

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 14, 2019 that is available on www.sedar.com.

SIGNIFICANT FOURTH QUARTER EVENTS

During the fourth quarter of fiscal 2018, the Corporation had net revenues of $11,991, compared to $11,089 in the fourth quarter of fiscal 2017, an increase of $902. The increase in year-over-year net revenues was primarily due to price management in 2018 across the Corporation’s portfolio of branded products, in addition to a new focus on asset capacity utilization through contract manufacturing, offset by declines of sales volumes of Big Rock branded products.

Cost of sales increased by $230 to $7,161 in the fourth quarter of fiscal 2018, from $6,931 in the fourth quarter of fiscal 2017, due to increase production volumes primarily in the Corporation’s Calgary facilities as a result of a focus on contract manufacturing business. Cost of sales as percentage of net revenues decreased to 59.7% in the fourth quarter of fiscal 2018, from 62.5% in the fourth quarter of fiscal 2017.

Selling expenses increased by $240 to $3,115 in the fourth quarter of fiscal 2018, from $2,875 in the comparable period last year, due to new product lines development for 2019. Selling expenses as a percentage of net revenues increased to 26.0% in the fourth quarter of fiscal 2018, from 25.9% in the fourth quarter of fiscal 2017.

General and administrative expenses increased by $202 to $1,335 in the fourth quarter of fiscal 2018, from $1,133 in the fourth quarter of fiscal 2017, primarily due to an increase in bonuses payable to employees, offset by the capitalizing of professional fees related to the closing of the Fireweed transaction. General and administrative expenses as a percentage of net revenues increased to 11.1% in the fourth quarter of fiscal 2018, from 10.2% in the fourth quarter of fiscal 2017.

Finance expenses were $71 in the fourth quarter of fiscal 2018, compared to $68 in the fourth quarter of fiscal 2017.

Depreciation expense (inclusive of depreciation expense included in cost of sales) increased by $109 to $849 in the fourth quarter of fiscal 2018, compared to $740 in the fourth quarter of fiscal 2017, primarily due to the increase in depreciation base with the assets purchased as part of the Fireweed transaction, in addition to other depreciation expense increases associated with small renovations to the BC restaurant for rebranding and other small system improvements.

Income tax expenses increased by $278 to $234 in the fourth quarter of fiscal 2018, from a recovery of $44 in the fourth quarter of fiscal 2017, due to an increase in deferred income tax expense.

On October 18, 2018, the Corporation acquired certain brewing assets for $535 and inventory for $135 (the “**Fireweed Transaction**”) from Fireweed. As part of the Fireweed Transaction, the Corporation entered into a licensing agreement that grants the Corporation exclusive rights to the trademark and other intellectual property, with an option to acquire the intellectual property outright at the end of the term, for the maximum amount payable of $2,000, net of all payables made to Fireweed based on volumes of Fireweed branded products sold over the term. On the acquisition date, Big Rock recorded an intangible asset value of $1,885 (based on net present value of expected fees and volumes), including closing costs, and an offsetting liability of $1,745. Management has made certain assumptions to arrive at the net present value of the license obligation.

On closing of the acquisition, the Corporation has netted the amounts receivable from Fireweed with amounts owed for brewing assets and inventory acquired from Fireweed.

OUTLOOK & STRATEGY

The Corporation's operating results for the three months and the year ended December 30, 2018 improved as compared to the same period in 2017, reflecting pricing and product mix initiatives implemented during the latter part of 2017 and throughout 2018 and prudent cost control projects and initiatives undertaken throughout 2018. Such initiatives were supported by and as a result of significant restructuring and realignment of the Corporation's management team in 2018.

In 2019, the Corporation will be focused on the following:

Maximizing Capacity Utilization of Assets

The Corporation will continue to pursue opportunities to maximize capacity utilization of its assets whether through organic growth of existing brands, introduction of new brands, license agreements, mergers and acquisitions and/or contract manufacturing agreements. Given the Corporation's footprint, especially in Alberta, management continues to evaluate new volume opportunities.

The Corporation will look to expand its cellar capacity in Calgary as new business is pursued, as this is the most significant bottleneck the Corporation faces in pursuing growth. Outside of cellar capacity, the Corporation is well positioned for significant growth given its brewing capacity, packaging and warehousing capacity, distribution network and sales force.

Organic Growth

Big Rock continues to monitor consumer trends in Canada in an effort to drive innovation in the craft beer and cider industry in Canada. In response to market research and consumer trends, Big Rock is planning to launch 5 new products in 2019: *Rock Creek Rosé Cider, Jackrabbit Light Lager, Big Rock Lager, Grasshopper with Lemon and the Darcy's Poolside Grapefruit Lager*.

Management continues to focus on growth of its signature brands and believes it is well positioned to achieve growth, despite the ever-increasing competition in the Canadian craft beer industry. The Corporation will continue to offer high quality seasonal brands in 2019, consistent with the high-quality traditions and practices behind its signature offerings.

Additionally, in the fourth quarter of 2018, Big Rock began distribution of its products to the BC market through the BC Liquor Distribution Branch, which the Corporation anticipates will have a positive impact on sales volumes and profitability of Big Rock branded products in BC in 2019.

Tax Environment

Big Rock will continue to work with the Alberta government in structuring a new mark-up framework that will allow for Big Rock to execute on its growth plans in 2019 and there forward.

Cannabis

In light of the planned legalization of cannabis-infused beverages expected in the fall of 2019, the Corporation has and will continue to evaluate opportunities in the cannabis space.

Cost Reductions

Cost reductions is an ongoing initiative implemented and supported by the Corporation's management team, many of whom are new since 2018.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three months and year ended December 30, 2018. Further information on the Corporation's critical accounting policies and estimates can be found in the notes to the audited annual financial statements and MD&A for the year ended December 30, 2018.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Corporation's consolidated financial statements as at and for the years ended December 30, 2018 and 2017 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, 2018 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. The IASB has issued the following pronouncements, which are not yet effective:

- Amendments to IFRS 2 *Share-based payments* are effective for annual periods beginning on or after January 1, 2018. This standard will be effective for Big Rock's fiscal year beginning on December 31, 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. Big Rock has determined that this will not have a material impact on its financial statements.

- IFRS 9 Financial Instruments has been amended, effective for annual periods beginning January 1, 2018. This standard will be effective for Big Rock's fiscal year beginning on December 31, 2018. The amended standard replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard requires classification of financial assets 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. Big Rock will adopt IFRS 9 guidance and its related amendments as of December 31, 2018, applying the full retrospective approach to all its financial instruments. Based on management's comprehensive review of the standard, management has concluded that the adoption of IFRS 9 will not have a significant impact to its financial statements.

- 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, with early adoption permitted. The standard contains a single model that applies to revenue earned from contracts with customers and two approaches to recognizing revenue: at a point in time and over time. The model establishes a five-step analysis of transactions to revenues 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 such as disposals of property, plant, and equipment but does not apply to insurance contracts, financial instruments or lease contracts, which falls in the scope of other IFRSs.

Big Rock will adopt this guidance and related amendments as of December 31, 2018, applying the modified retrospective approach to all contracts. Based on management's comprehensive review of the standard, including evaluation of the five-step approach outlined within the standard, management has concluded that the adoption of IFRS 15 will not have a significant impact to recording of revenues.

The adoption of the standard will also result in a change in the presentation of certain cash payments made to customers as it relates to Committed Marketing Fund ("**CMF**") payments. CMF payments were previously recorded as selling expenses in the consolidated statements of comprehensive income. On adoption of the standard, these cash payments will be presented as a reduction of revenues. Management estimates that adoption of the standard will result in a reduction of revenues and selling expenses by approximately $335 to $48,713 and $13,197, respectively, in the first year of adoption. The actual results may differ from these estimates.

As a result of the cumulative impact of adopting the new guidance in the first quarter of 2019, Big Rock currently expect to record a net effect of nil as of December 31, 2018. Big Rock is in the process of finalizing the transition adjustment calculation, which will be completed during the first quarter of 2019.

- 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 any of these standards, however, the Corporation is currently assessing what impact the application of IFRS 16 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 President & Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Corporation, have designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion.

The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of December 30, 2018.

INTERNAL CONTROLS OVER FINANCIAL REPORTING UPDATE

The Corporation's management under the supervision of, and with the participation of, the CEO and CFO, has designed and implemented internal controls over financial reporting ("**ICFR**"), as defined under NI 52-109. The Corporation's management used as its framework the Internal Control—Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission.

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

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

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Corporation's controls over financial reporting for the year ended December 30, 2018, 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, 2018, 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, 2018. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

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. These financial measures do not have any standardized meaning under the Corporations' Generally Accepted Accounting Principles and therefore may not be comparable to similar measures presented by other issuers. The following terms "total capitalization", "net debt", "net debt to total capitalization ratio", "EBITDA", "net debt to EBITDA", "EBITDA Fixed Charges", "working capital" 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. Net debt to EBITDA is calculated by dividing EBITDA by net debt (debt less cash) and EBITDA to Fixed Charges is calculated by dividing the combined debt repayments, interest, income taxes and dividends paid amounts by EBITDA. Working capital is defined as current assets minus current liabilities. Management uses these non-GAAP measures to evaluate the Corporation's operating results. A reconciliation of EBITDA to net income (loss), the nearest GAAP measure, is contained under "Liquidity and Capital Resources – Capital Strategy". A reconciliation of total capitalization to cash, total debt and total shareholders' equity and a reconciliation of net debt to cash and total debt are provided under "Liquidity and Capital Resources – Capitalization".

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, cash flows from operating activities or other relevant GAAP measures 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 expectations as to future events 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:

- the Corporation's growth plans;
- the legalization of cannabis edibles and the Corporation's expectations and the resulting market in respect of the same;
- the Corporation's ability to and corresponding results of its work with the Alberta government;
- expected sales volumes;
- the potential introduction of new permanent and seasonal brands;
- 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 Corporation's ability to maximize capacity utilization;
- the Corporation expanding its cellar capacity;
- the Corporation's ability to offer high quality seasonal brands;
- the impact of the distribution of Big Rock products in the BC market on the Corporation's sales volumes and profitability;
- the impact of recent changes in Alberta mark-up rates, further changes in the future and the Corporation's ability to execute on its growth plans; 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, including the mark-up and grant rates, in which Big Rock operates;
- there will be no supply issues with Big Rock's vendors; and

- the Corporation's ongoing discussions with the Alberta Government with respect to the mark-up and grant program will be successful in improving the mark-up 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 2018 Annual Information Form dated March 14, 2019 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

CONSOLIDATED FINANCIAL STATEMENTS

March 13, 2019

Management's Responsibility for Financial Reporting

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 of Directors, which is composed entirely of independent directors. The Audit 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.

Wayne Arsenault
President & Chief Executive Officer

Don Sewell
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Big Rock Brewery Inc.

Opinion

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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Corporation as at December 30, 2018 and 2017, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ann-Marie Brockett.

Ernst & Young LLP

Calgary, Canada

March 13, 2019

Chartered Professional Accountants

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

	Note	Year ended December 30 **2018**	2017
Revenue			
Net revenue	4	$ 48,748	$ 46,573
Cost of sales	5	27,936	27,676
Gross profit		20,812	18,897
Expenses			
Selling expenses	6	13,562	14,290
General and administrative	7	5,795	5,174
Depreciation and amortization		524	470
Operating expenses		19,881	19,934
Operating income (loss)		931	(1,037)
Finance expenses	8	327	333
Other		18	2
Income (loss) before income taxes		622	(1,368)
Income tax expense (recovery)	9		
Current		(71)	(175)
Deferred		333	(173)
		262	(348)
Net income (loss) and comprehensive income (loss)		**$ 360**	$ (1,020)
Per share amounts			
Basic and diluted	10	**$ 0.05**	$ (0.15)

See accompanying notes to the consolidated financial statements

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

	Note	As at December 30 2018	2017
ASSETS			
Current			
Cash		$ 1,902	$ 168
Accounts receivable	11	3,384	3,164
Inventories	12	5,404	4,986
Prepaid expenses and deposits		488	369
		11,178	8,687
Non-current			
Property, plant and equipment	13	43,166	44,228
Intangible assets	14 & 29	2,396	566
		45,562	44,794
Total assets		**$ 56,740**	$ 53,481
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	16	$ 163	$ 84
Accounts payable and accrued liabilities	15	4,682	3,473
Current taxes payable	9	449	252
Long term debt - current	16	409	417
License obligation - current	17 & 29	138	—
Finance lease - current	18	347	329
Share-based payments	22	433	599
		6,621	5,154
Non-current			
Long term debt	16	3,356	3,738
License obligation	17 & 29	1,582	—
Finance lease	18	1,500	1,848
Lease incentive liability	19	260	228
Share-based payments	22	45	61
Deferred income taxes	9	4,792	4,459
		11,535	10,334
EQUITY			
Shareholders' capital	20	113,845	113,845
Contributed surplus		1,578	1,347
Accumulated deficit	21	(76,839)	(77,199)
		38,584	37,993
Total liabilities and shareholders' equity		**$ 56,740**	$ 53,481
Commitments and contractual obligations	27		

See accompanying notes to the consolidated financial statements

	""	""
On behalf of the Board of Directors:	Stephen Giblin	Michael Kohut
	Director	Director

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

	Note	Year ended December 30 2018	2017
OPERATING ACTIVITIES			
Net income (loss) for the year		$ 360	$ (1,020)
Items not affecting cash:			
Depreciation and amortization		3,201	2,942
Gain on sale of assets		(29)	20
Share-based payments	22	68	459
Lease incentive		32	42
Amortized debt issue costs		13	6
Deferred income tax expense (recovery)		333	(173)
Net change in non-cash working capital related to operations	24	630	(862)
Cash provided by operating activities		4,608	1,414
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness		79	(2,759)
Proceeds from long-term debt		—	1,000
Repayment of long-term debt		(403)	(352)
Repayment of finance lease		(330)	(323)
Proceeds from exercised options		—	583
Cash provided by (used in) financing activities		(654)	(1,851)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,013)	(1,690)
Purchase of intangibles		(348)	(391)
Proceeds from sale of property, plant and equipment		141	2,479
Cash provided by (used in) investing activities		(2,220)	398
Net increase (decrease) in cash		1,734	(39)
Cash, beginning of year		168	207
Cash, end of year		**$ 1,902**	$ 168

Supplemental cash-flow information			
Interest paid		$ 314	$ 327
Taxes paid (recovered)		$ (226)	$ —

See accompanying notes to the consolidated financial statements

BIG ROCK BREWERY INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2016	21	$ 113,121	$ 1,438	$ (76,179)	$ 38,380
Share-based payments		—	50	—	50
Stock options exercised	22	724	(141)	—	583
Total comprehensive loss		—	—	(1,020)	(1,020)
Balance as at December 30, 2017		113,845	1,347	(77,199)	37,993
Share-based payments	22	—	231	—	231
Total comprehensive income		—	—	360	360
Balance as at December 30, 2018		**$ 113,845**	**$ 1,578**	**$ (76,839)**	**$38,584**

See accompanying notes to the consolidated financial statements

(In thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

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

Big Rock is a regional producer of premium, all-natural craft beers and cider which are sold in five provinces and two territories in Canada. 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 "**Consolidated Financial Statements**") include the accounts of Big Rock and all its wholly owned subsidiaries. Subsidiaries are those enterprises controlled by the Corporation. The following companies have been consolidated within the Consolidated Financial Statements:

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of Big Rock (the "**Board of Directors**") on March 13, 2019.

2.2 Basis of presentation

These Consolidated 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 IFRS *2 Share-based payments* are effective for annual periods beginning on or after January 1, 2018. This standard is effective for Big Rock's fiscal year beginning on December 31, 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. Big Rock has determined that this will not have a material impact on its financial statements.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2018. This standard will be effective for Big Rock's fiscal year beginning on December 31, 2018. The amended standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard requires classification of financial assets 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. Big Rock will adopt IFRS 9 guidance and its related amendments as of December 31, 2018, applying the full retrospective approach to all its financial instruments. Based on management's comprehensive review of the standard, management has concluded that the adoption of IFRS 9 will not have a significant impact to its financial statements.

- 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, with early adoption permitted. The standard contains a single model that applies to revenue earned from contracts with customers and two approaches to recognizing revenue: at a point in time and over time. The model establishes a five-step analysis of transactions to revenues 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 such as disposals of property, plant, and equipment but does not apply to insurance contracts, financial instruments or lease contracts, which falls in the scope of other IFRS standards.

  Big Rock will adopt this guidance and related amendments as of December 31, 2018, applying the modified retrospective approach to all contracts. Based on management's comprehensive review of the standard, including evaluation of the five-step approach outlined within the standard, management has concluded that the adoption of IFRS 15 will not have a significant impact to recording of revenues.

  The adoption of the standard also results in a change in the presentation of certain cash payments made to customers as it relates to Committed Marketing Fund ("**CMF**") payments. CMF payments were previously recorded as selling expenses in the consolidated statements of comprehensive income. On adoption of the standard, these cash payments will be presented as a reduction of revenues. Management estimates that adoption of the standard will result in a reduction of revenues and selling expenses by approximately $335 to $48,713 and $13,197, respectively, in the first year of adoption. The actual results may differ from these estimates.

  As a result of the cumulative impact of adopting the new guidance in the first quarter of 2019, Big Rock currently expects to record a net effect of nil as of December 31, 2018. Big Rock is in the process of finalizing the transition adjustment calculation, which will be completed during the first quarter of 2019.

- 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. Other than the items noted above, the Corporation has not early adopted these; however, the Corporation is currently assessing what impact the application of IFRS 16 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 Consolidated Financial Statements requires management to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the Consolidated 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 Consolidated 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 Consolidated Financial Statements. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Significant judgments

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

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

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

Assumptions and critical estimates

Keg deposit liability
In determining the liability for return of keg deposits, Big Rock estimates that a portion of circulating kegs will never be returned for refund. Big Rock estimates that approximately 98% of kegs are returned for refund in each turn of inventory. Management recognizes a liability for one turn plus an additional amount, estimated as 2% of one turn, for very old kegs. As at December 30, 2018, a balance of $364 (2017 - $316) was included in accounts payable and accrued liabilities in respect of the keg deposit liability. An increase in the quantity of old kegs returned by 10% in one turn would result in an additional liability and charge to net income of $40.

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 Statements of Financial Position. A 10% decrease in useful lives of Big Rock's property, plant and equipment would result in an additional depreciation charge to net income of $316.

3.2 Revenue recognition

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

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

Subsequent to the period covered by these Consolidated Financial Statements, our accounting policies for revenue recognition will be updated in the first quarter of 2019, upon adoption of IFRS 15 *Revenue from Contracts with Customers*. See Note 2.3 "*Future Accounting Pronouncements*" for additional information.

3.3 Government grants

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

3.4 Accounts receivable

The majority of Big Rock's accounts receivable are from provincial government liquor authorities which issue weekly or monthly remittances on account. Given that terms are set and receivables over 90 days generally average between five and ten 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

Inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition to sell. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and sell the products. If the net realizable value is less than cost, inventories are written down. If the net realizable value subsequently increases, a reversal of the loss initially recognized is applied to cost of sales.

Big Rock's inventories include: 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 which is consigned to provincial warehouses for sale and resale goods to be sold in the ordinary course of business in the dry-goods store.

3.6 Property, plant and equipment

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

(In thousands of Canadian dollars, unless otherwise stated)

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
Office furniture and equipment	5–15 years
Leasehold improvements	10–40 years

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

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

3.7 Intangible assets

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

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

Computer software	3 years
Intellectual property	10 years
License	10 years
Website	6 years

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

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

3.8 Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statements of Comprehensive 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, net of depreciation and amortization, had no impairment loss been recognized for the cash-generating unit in prior periods.

3.9 Share-based payments

Under the Corporation's share-based compensation plans, share-based awards may be granted to executives, employees and non-employee directors. Big Rock uses option pricing models that are determined to result in the best estimate of fair value for its cash-settled and equity-settled instruments, depending on the vesting conditions of the instruments. The Black-Scholes option pricing model is generally used to determine fair values for all instruments that vest over a period of time. For instruments that vest using market-based performance criteria, fair values are determined using a model which takes into account the probability of meeting certain price targets and the Black-Scholes value of underlying instruments at such targets.

Cash-settled transactions
Share-based compensation awards that settle in cash are accounted for as cash-settled plans and are measured at fair value each reporting period. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities 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 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 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. When awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. At the end of each reporting period, the fair value of the instruments is remeasured to fair value, with a charge or credit to compensation expense within general and administrative expense on the Consolidated Statements of Comprehensive Income and a corresponding increase or decrease to the liability on the Consolidated Statements of Financial Position.

Equity-settled transactions
The Corporation has a share option plan (the "**Share Option Plan**") which permits the Board of Directors to grant options to acquire common shares of the Corporation ("**Common Shares**") at the volume weighted average closing price for the five trading days preceding the date of grant. 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. Stock options that give the holder the right to purchase Common Shares are accounted for as equity-settled plans.

The expense is based on the fair value of the options at the time of grant and is recognized over the vesting periods of the respective options. The cumulative expense reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest and following issuance, a corresponding increase is recorded to Contributed Surplus. Consideration paid to the Corporation on exercise of options is credited to Share Capital and the associated amount in Contributed Surplus is reclassified to Share Capital.

3.10 Taxation

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

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the date of the Consolidated Statements 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 Consolidated Statements 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 Consolidated Statements of Financial Position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

3.11 Keg deposits

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

3.12 Per share amounts

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

3.13 Financial instruments

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

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary. At December 30, 2018, the Corporation has not classified any financial assets as FVTPL.

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

3.13 (b) Financial liabilities

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

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

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

3.13 (c) De-recognition of financial instruments

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

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

3.14 Impairment of financial instruments

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

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.

(In thousands of Canadian dollars, unless otherwise stated)

3.16 Leases

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

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

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

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

4. NET REVENUE

	Year ended December 30	
	2018	2017
Gross product revenues	$ 66,983	$ 65,523
Federal excise taxes	(6,003)	(5,822)
Provincial liquor tax programs	(12,232)	(13,128)
Net revenue	**$ 48,748**	$ 46,573

Gross product revenues include wholesale beer and cider revenues as well as retail store and restaurant sales. Net revenue includes gross revenues less excise taxes and provincial liquor tax charges. Federal excise taxes are assessed on world-wide production of beer at tiered rates up to $32.32 (2017 - $31.84) per hectolitre and on flavoured cider production at $30.60 (2017 - $30.10) per hectolitre.

Provincial liquor tax programs include charges paid to provincial liquor control boards to cover distributions and other service charges and is net of provincial grants. During 2018, Big Rock received grant proceeds of $10,928 (2017 - $12,000) through the Alberta Small Brewers Development Grant Program of which $10,857 (2017 - $11,912) has been included in Provincial liquor tax programs charges.

5. COST OF SALES

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

	Year ended December 30	
	2018	2017
Operating expenses	$ 18,573	$ 18,790
Salaries and benefits	6,687	6,414
Depreciation and amortization	2,676	2,472
Cost of sales	**$ 27,936**	$ 27,676

(In thousands of Canadian dollars, unless otherwise stated)

6. SELLING EXPENSES

Selling expenses include the following:

	Year ended December 30 2018	Year ended December 30 2017
Delivery and distribution costs	$ 3,884	$ 3,940
Salaries and benefits	4,138	3,857
Marketing and sales	5,540	6,493
Selling expenses	**$ 13,562**	$ 14,290

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

	Year ended December 30 2018	Year ended December 30 2017
Salaries and benefits	$ 3,153	$ 2,734
Professional fees	972	978
Other administrative expenses	1,670	1,462
General and administrative expenses	**$ 5,795**	$ 5,174

8. FINANCE EXPENSES

Finance expenses include the following:

	Year ended December 30 2018	Year ended December 30 2017
Interest on Operating Facility	$ 3	$ 55
Interest on long term debt	324	278
Finance expenses	**$ 327**	$ 333

9. INCOME TAXES

Income tax expense (recovery) is comprised of the following:

	Year ended December 30 2018	Year ended December 30 2017
Current tax recovery	$ (71)	$ (175)
Deferred tax expense (recovery)	333	(173)
Income tax expense (recovery)	**$ 262**	$ (348)

The following table reconciles the estimated income tax expense using a weighted average Canadian federal and provincial tax rate of 27.07% (2017 – 26.85%) to the reported tax expense. The reconciling items represent, aside from the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements, in accordance with IFRS.

(In thousands of Canadian dollars, unless otherwise stated)

	Year ended December 30	
	2018	2017
Income (loss) before income taxes	$ 622	$ (1,368)
Income tax expense (recovery) at statutory rate of 27.07% (2017 – 26.85%)	169	(367)
Effect on taxes of:		
Share-based payments	63	13
Non-deductible expenses	57	51
True-up of opening timing differences	(24)	(19)
Non-taxable portion of capital gain	(2)	(29)
Other	—	3
Income tax recovery	**$ 263**	$ (348)

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

	Property, plant and equipment	Share & Debt issue costs	Deferral of partnership income	Other	Total
As at December 30, 2017	$ 5,259	$ (60)	$ 92	$ (832)	$ 4,459
Charged to the Consolidated Statements of Comprehensive Income	322	55	300	(344)	333
As at December 30, 2018	**$ 5,581**	**$ (5)**	**$ 392**	**$ (1,176)**	**$ 4,792**

10. PER SHARE AMOUNTS

The calculation of per share amounts is based on the following:

	Year ended December 30	
	2018	2017
Net income (loss)	$ 360	$ (1,020)
Basic:		
Shares outstanding, beginning of the year	6,981,628	6,875,928
Weighted average # of shares issued during the year	—	97,881
Weighted average basic and diluted shares outstanding during the year	6,981,628	6,973,809
Per share amounts:		
Basic and diluted	$ 0.05	$ (0.15)

11. 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, grocery and retail customers and GST balances. The solvency of customers and their ability to pay their receivables was considered in assessing the impairment of accounts receivable. No collateral is held for impaired receivables or for receivables that are past due but not impaired.

(In thousands of Canadian dollars, unless otherwise stated)

The accounts receivable balances are comprised of:

	As at December 30	
	2018	2017
Provincial liquor boards	$ 3,149	$ 2,796
Other receivables	279	392
Bad debt provision	(44)	(24)
Total accounts receivable	**$ 3,384**	$ 3,164

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

	As at December 30	
	2018	2017
Less than 30 days	$ 2,635	$ 2,552
30 – 60 days	173	196
60-90 days	278	178
Over 90 days	298	238
Total accounts receivable	**$ 3,384**	$ 3,164

12. INVENTORIES

Inventories are categorized as follows:

	As at December 30	
	2018	2017
Raw materials and containers	$ 1,608	$ 1,671
Brews in progress	983	1,104
Finished product	2,245	1,799
Consignment product	475	293
Retail store	93	119
Total inventories	**$ 5,404**	$ 4,986

During the year ended December 30, 2018, charges of $408 (2017 - $973) were recorded to the Consolidated Statements of Comprehensive Income relating to obsolete inventories. There were no reversals of amounts previously charged to income in respect of inventory write-downs during the years ended December 30, 2018 and 2017.

(In thousands of Canadian dollars, unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office furniture and equipment	Leasehold improvements	Total
Cost						
As at December 30, 2016	$ 6,617	$ 21,113	$ 31,121	$ 2,282	$ 214	$ 61,347
Additions and adjustments	443	63	900	248	36	1,690
Disposals	(585)	(40)	(133)	–	–	(758)
As at December 30, 2017	6,475	21,136	31,888	2,530	250	62,279
Additions and adjustments	–	(12)	1,950	55	20	2,013
Disposals	–	–	(135)	(6)	–	(141)
As at December 30, 2018	$ 6,475	$ 21,124	$ 33,703	$ 2,579	$ 270	$ 64,151
Accumulated Depreciation						
As at December 30, 2016	$ –	$ 2,255	$ 12,182	$ 804	$ 107	$ 15,348
Charge	–	542	1,816	406	17	2,781
Disposals	–	–	(78)	–	–	(78)
As at December 30, 2017	–	2,797	13,920	1,210	124	18,051
Charge	–	764	1,805	373	21	2,963
Disposals	–	–	(27)	(2)	–	(29)
As at December 30, 2018	$ –	$ 3,561	$ 15,698	$ 1,581	$ 145	$ 20,985
Net book value						
As at December 30, 2017	$ 6,475	$ 18,339	$ 17,968	$ 1,320	$ 126	$ 44,228
As at December 30, 2018	**$ 6,475**	**$ 17,563**	**$ 18,005**	**$ 998**	**$ 125**	**$ 43,166**

At December 30, 2018, the balance of assets under construction and not subject to depreciation was $889 (2017 - $600). At December 30, 2018, property, plant and equipment included finance leases with a net book value of $2,206 (2017 - $2,338) see Note 18. There were no indicators of impairment in the carrying value of the Corporation's property, plant and equipment noted as at December 30, 2018 and 2017, and no provision recorded.

14. INTANGIBLE ASSETS

Intangible assets are broken down as follows:

	Computer software	Brewing license	Intellectual property	Website costs	Total
Cost					
As at December 30, 2016	$ 621	$ –	$ 170	$ 22	$ 813
Additions and adjustments	138	–	49	204	391
As at December 30, 2017	759	–	219	226	1,204
Additions and adjustments	136	1,885	38	9	2,068
As at December 30, 2018	$ 895	$ 1,885	$ 257	$ 235	$ 3,272
Accumulated amortization					
As at December 30, 2016	$ 324	$ –	$ 131	$ 22	$ 477
Charge	142	–	19	–	161
As at December 30, 2017	466	–	150	22	638
Charge	150	39	20	29	238
As at December 30, 2018	$ 616	$ 39	$ 170	$ 51	$ 876
Net book value					
As at December 30, 2017	$ 293	$ –	$ 69	$ 204	$ 566
As at December 30, 2018	**$ 279**	**$ 1,846**	**$ 87**	**$ 184**	**$ 2,396**

(In thousands of Canadian dollars, unless otherwise stated)

As at December 30, 2018 and 2017, there were no indicators of impairment noted in the carrying value of the Corporations intangible assets and no provision is recorded. As at December 30, 2018, $222 (2017 - $397) is not subject to amortization.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	As at December 30	
	2018	2017
Less than 30 days	$ 4,442	$ 3,210
30 – 60 days	136	123
60 – 90 days	47	25
Over 90 days	57	115
Total accounts payable and accrued liabilities	**$ 4,682**	$ 3,473

16. 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 (the "**Operating Facility**") and a $6 million 5-year revolving term loan facility (the "**Term Debt**"). The Operating Facility is available for general operating purposes and funding capital expenditure requirements. The Term Debt is available to fund capital expenditures. Advances under both 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 Operating Facility at the financial institution's prime rate plus 0.75 and on the Term Debt 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 facilities impose a number of positive and negative covenants on Big Rock, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month earnings before interest, taxes and depreciation, less an amount for maintenance capital compared to the rolling 12-months fixed charges. Fixed charges are the sum of interest, dividends and income taxes paid, and principal repayments. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. Big Rock was in compliance with its covenants at December 30, 2018.

As at December 30, 2018, bank indebtedness was $163 (2017 - $84), of which $nil (2017 - $nil) was outstanding on the Operating Facility.

	As at December 30	
	2018	2017
Term debt	$ 3,778	$ 4,181
Debt issue costs	(13)	(26)
	3,765	4,155
Current portion	(409)	(417)
Long term debt	**$ 3,356**	$ 3,738

(In thousands of Canadian dollars, unless otherwise stated)

17. LICENSE OBLIGATION

	As at December 30			
	2018		2017	
License obligation	$	1,720	$	—
Current portion		(138)		—
License obligation	**$**	**1,582**	$	—

License obligation is as a result of a transaction with Fireweed Brewing Corp. ("**Fireweed**"). See Note 29 - Significant Transaction for detail.

18. FINANCE LEASE

As at	December 30, 2018			December 30, 2017		
	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	$ 443	$ 96	$ 347	$ 439	$ 110	$ 329
Between one and five years	1,649	149	1,500	2,067	219	1,848
	2,092	245	1,847	2,506	329	2,177
Reported as:						
Current portion			$ 347			$ 329
Long term portion			1,500			1,848
Present value of finance lease			$ 1,847			$ 2,177

During 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 into for contingent rental payments. As of December 30, 2018, the net carrying amount of the leased assets is $2,206 (2017 – $2,338). The depreciation of the assets recorded under finance lease is included in the cost of sales on the Consolidated Statements of Comprehensive Income. The obligation under finance lease is secured by the lessor's rights over the leased assets.

19. LEASE INCENTIVE LIABILITY

At December 30, 2018, Big Rock had a lease incentive liability of $260 (2017 - $228) 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.

20. SHARE CAPITAL

Big Rock is authorized to issue an unlimited number of Common Shares with no par value.

	As at December 30			
	2018		2017	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding, beginning of year	6,981,628	113,845	6,875,928	113,121
Issued	—	—	105,700	724
Outstanding, end of year	6,981,628	113,845	6,981,628	113,845

(In thousands of Canadian dollars, unless otherwise stated)

21. ACCUMULATED DEFICIT

During 2018, the Corporation made an adjustment to 2017 opening accumulated deficit and accounts receivable as it was determined that revenue related to the recently discontinued ASBD grant program had been under accrued in 2016. This adjustment is not significant to the Consolidated Financial Statements. Because of the adjustment, opening accumulated deficit decreased by $1,110 with a corresponding increase to accounts receivable as at December 30, 2016.

22. SHARE-BASED PAYMENTS

Share based compensation expense, included in general and administrative expenses and recognized in the Consolidated Statements of Comprehensive Income for the years ended December 30, 2018 and 2017 include:

	As at December 30	
	2018	2017
Equity-settled plans	$ 231	$ 50
Cash-settled plans	(163)	409
Total share-based compensation expense	**$ 68**	$ 459

Liability recognized for share-based compensation recognized on the Consolidated Statements of Financial Position:

	As at December 30	
	2018	2017
Share-based payments - current	$ 433	$ 599
Share-based payments – long term	45	61
Total liability	**$ 478**	$ 660

22.1 Share Option Plan

22.1 (a) Time Vesting Options

Share options granted in 2018 vest over four years, with one fifth vesting immediately, followed by one fifth vesting on each subsequent anniversary date. Options granted prior to 2017 vested immediately. All options are exercisable for five years after grant date.

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

As at	December 30, 2018			December 30, 2017		
	# of options	Weighted average exercise price ($)	Remaining life (years)	# of options	Weighted average exercise price ($)	Remaining life (years)
Balance, beginning of year	75,000	$ 7.75		585,000	$ 11.56	
Granted	185,000	5.36		75,000	7.75	
Exercised	—	—		(105,700)	5.51	
Expired	—	—		(479,300)	12.89	
Balance, end of year	260,000	$ 6.05	4.21	75,000	$ 7.75	4.67
Exercisable, end of year	67,000	$ 6.43	4.09	15,000	$ 7.75	4.67

(In thousands of Canadian dollars, unless otherwise stated)

The weighted average fair value of options granted in 2018 was estimated using the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Weighted average exercise price ($/share)	5.36	7.75
Weighted average fair value ($)	2.09	1.93
Risk-free interest rate (%)	2.09	1.56
Expected life (years)	4.23	3.60
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	39.80	35.60

22.1 (b) Performance Options

During the year ended December 30, 2017, 69,000 performance-based stock options were granted at an exercise price of $6.50 per option and expire in five years. The options vest in tranches of one-third upon the closing price of the Corporation's shares equalling or exceeding $8.50, $10.50 and $11.50, respectively. None of the options were exercisable at December 30, 2018. No performance-based stock options were granted during the year ended December 30, 2018. The following weighted average fair value of the options was estimated using a model which takes into account the probability of meeting certain price targets and the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Weighted average fair value ($)	—	1.10
Risk-free interest rate (%)	—	1.65
Expected life (years)	—	4.00
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	—	41.34

22.2 Share Appreciation Rights Plan

Under the Share Appreciation Rights Plan ("**SARs Plan**"), the Board of Directors may issue an unlimited number of share appreciation rights ("**SARs**"). The SARs are exercisable for five years after grant date. The exercise of SARs is settled in cash. SARs granted in 2018 vest over a three-year period, with one third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date. SARs granted prior to 2017 vested immediately.

22.2 (a) Time Vesting SARs

The following is a summary of transactions under the SARs Plan:

	2018			2017		
	# of SARs	Weighted average exercise price ($)	Remaining life (years)	# of SARs	Weighted average exercise price ($)	Remaining life (years)
Balance, beginning of year	575,900	9.25		426,900	10.99	
Granted	166,350	5.08		256,000	6.78	
Exercised	(37,445)	5.64		(36,000)	5.47	
Forfeited	(238,703)	8.55		(4,000)	7.75	
Expired	(59,300)	14.98		(67,000)	13.04	
Balance, end of year	406,802	7.50	3.02	575,900	9.25	2.96
Exercisable, end of year	270,611	8.44	2.45	407,887	10.27	2.96

(In thousands of Canadian dollars, unless otherwise stated)

The weighted average fair value of the SARs granted in 2018 was estimated using the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Weighted average exercise price ($/share)	5.08	6.78
Weighted average fair value ($)	2.52	2.10
Risk-free interest rate (%)	1.87	1.81
Expected life (years)	4.52	4.37
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	43.13	35.60

22.2 (b) Performance SARs

During the year ended December 30, 2017, 81,000 performance-based SARs were granted at an exercise price of $6.50 per SAR and expire in five years. The SARs vest in tranches of one-third upon the closing price of the Corporation's shares equalling or exceeding $8.50, $10.50 and $11.50, respectively. None of the SARs were exercisable at December 30, 2018. No performance-based SARs were granted during the year ended December 30, 2018. The following weighted average fair value of the SARs was estimated using a model which takes into account the probability of meeting certain price targets and the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Weighted average fair value ($)	—	1.10
Risk-free interest rate (%)	—	1.65
Expected life (years)	—	4.00
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	—	41.34

23. CAPITAL RISK MANAGEMENT

The Corporation defines its capital to include: Common Shares plus short-term, long-term debt and finance leases, less cash balances. There are no externally imposed capital requirements on Big Rock. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern, to support the Corporation's normal operating requirements and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. This allows management to maximize the profitability of its existing assets and create long-term value and enhance returns for its shareholders.

	As at December 30	
	2018	2017
Cash	$ (1,902)	$ (168)
Total debt (includes license obligation)	7,495	6,416
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,578	1,347
Accumulated deficit	(76,839)	(77,199)
Total shareholders' equity	38,584	37,993
Total capitalization (total debt plus shareholders' equity, net of cash balances)	**$ 44,177**	$ 44,241

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management. Adjustments are made by considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Big Rock may issue new shares, issue or renegotiate its debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. Capital requirements of the Corporation are managed by the preparation of an annual expenditure budget which is approved by the Board of Directors and monitored on a regular basis by management. The budget is updated as necessary depending on numerous factors, including capital deployment, results from operations, and general industry conditions.

In addition, the Corporation monitors its capital using ratios of (i) net debt (debt less cash) to earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and (ii) EBITDA to interest, debt repayments and dividends. Net debt to EBITDA is calculated by dividing net debt by EBITDA. EBITDA to interest, debt repayments and dividends is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA. These capital management policies, which remain unchanged from prior periods, provide Big Rock with access to capital at a reasonable cost.

24. FINANCIAL INSTRUMENTS

24.1 Fair value

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

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

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

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

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

24.2 Categories of financial instruments

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

(In thousands of Canadian dollars, unless otherwise stated)

Big Rock's financial instruments and their designations are:

Classification of Financial Instrument	Designated as	As at December 30			
		2018		2017	
		Carrying Amount ($)	Fair Value Amount ($)	Carrying Amount ($)	Fair Value Amount ($)
Financial assets					
Cash	-	1,902	1,902	168	168
Accounts receivable	Loans and receivables	3,384	3,384	3,164	3,164
Financial liabilities					
Bank indebtedness	OFL	163	163	84	84
Accounts payable and accrued liabilities	OFL	4,682	4,682	3,473	3,473
Income taxes payable	OFL	449	449	252	252
Long term debt	OFL	3,765	3,778	4,155	4,181
License obligation	OFL	1,720	1,720	—	—
Finance lease	OFL	1,847	1,847	2,177	2,177
Share-based payments liabilities	OFL	478	478	660	660

24.3 Financial risk management objectives and policies

The Corporation's financial instruments include cash, accounts receivable, current taxes recoverable (payable), accounts payable and accrued liabilities and amounts due on line of credit facilities and finance lease obligations. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Foreign exchange risk*

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

Foreign currency sensitivity analysis

An increase or decrease in US currency foreign exchange of 3% percent would result in a change to net income for the year ended December 30, 2018 of $35 (2017 – $44).

(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 term credit facilities and on interest earned on bank deposits. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates.

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial.

Big Rock evaluates the policies surrounding interest rates on an as-needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation's long-term debt does not change as interest rates change. The weighted average interest rate incurred by the Corporation in the year ended December 30, 2018 was 4.58% (2017 – 4.63%).

(In thousands of Canadian dollars, unless otherwise stated)

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, 2018 would be affected by $51 (2017 – $56). 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 the majority 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.

The credit quality of the Corporation's significant customers is monitored regularly, and allowances are provided for potential losses that have been incurred at the period end date. Receivables that are neither past due, nor impaired are considered collectible. Where concentrations of credit risk exists, management monitors the receivable balances closely to ensure appropriate controls are in place to ensure recovery.

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

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

	Carrying Amount	Due within one year	Due in one to five years	Due greater than five years
Accounts payable and accrued liabilities	$ 4,682	$ 4,682	$ —	$ —
Bank indebtedness	782	782	—	—
Long term debt	3,765	409	1,877	1,492
License obligation	1,720	138	620	962
Finance lease	1,847	347	1,500	—
Total contractual repayments	$ 12,796	$ 6,358	$ 3,997	$ 2,454

(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. Effective August 5, 2016, the Alberta Government replaced the graduated mark-up rate structure with a flat-rate mark-up of $1.25 per litre plus a new grant program for Alberta breweries, which would be administered by Alberta Agriculture and Forestry. In June 2018, a Trade Review panel ordered that the Alberta government's small brewers' grant program must be repealed or revised within six months, as it was found to put beer producers from other provinces at a competitive disadvantage in the Alberta market. On November 26, 2018, the Alberta government announced the cancellation of the ASBD grant program as of December 15, 2018 and a graduated mark-up system for Alberta producers of less than 50,000 hectolitres per year. As a result, the Alberta government imposed a significant tax increase on Big Rock's sales volumes with the revision. The Corporation will continue to work with the Alberta government in establishing a new mark-up structure that promotes the long-term growth and sustainability of breweries in Alberta, especially for those of the Corporation's size. In the interim, the Corporation has requested and expects to rely on the financial support from the Alberta government in order to support the Corporation's growth and operations in 2019. As Alberta is Big Rock's predominant market, future changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

(In thousands of Canadian dollars, unless otherwise stated)

25. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Year ended December 30	
	2018	2017
Salaries and other short-term benefits	$ 898	$ 1,235
Share-based compensation	97	366
Total compensation	$ 995	$ 1,601

26. CHANGE IN NON-CASH WORKING CAPITAL

	Year ended December 30	
	2018	2017
Accounts receivable	$ (220)	$ (352)
Inventory	(418)	158
Current income taxes	197	(160)
Prepaid expenses	(119)	41
Accounts payable and accrued liabilities	1,209	(464)
Share-based payment liabilities	(19)	(85)
Total change in non-cash working capital	**$ 630**	$ (862)

27. SEGMENTED INFORMATION

For management purposes, the Corporation is organized into operating segments based on its products, services, location and distribution methods. Ten operating segments have been identified. These segments have been aggregated into two reportable segments: the wholesale segment, which manufactures and distributes beer and cider to and through, provincial liquor boards which is subsequently sold on to end consumers and the retail segment, which sells beverages, food and merchandise to end consumers on premises owned and/or operated by the Corporation.

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

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

(In thousands of Canadian dollars, unless otherwise stated)

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

Profit by Segment

Year ended	Wholesale		Retail		Eliminations		Consolidated	
December 30	2018	2017	2018	2017	2018	2017	**2018**	2017
Net Revenue	$ 47,144	$ 44,666	$ 2,245	$ 2,660	$ (641)	$ (753)	$ 48,748	$ 46,573
Cost of sales	25,351	24,906	3,226	3,523	(641)	(753)	27,936	27,676
Gross profit	21,793	19,760	(981)	(863)	—	—	20,812	18,897
Selling expenses	13,537	14,167	25	123	—	—	13,562	14,290
Segment profit	$ 8,256	$ 5,593	$ (1,006)	$ (986)	$ —	$ —	7,250	4,607
General and administrative cost							5,795	5,174
Depreciation and amortization							524	470
Operating income (loss)							931	(1,037)
Finance expense							327	333
Other (income)							(18)	(2)
Income (loss) before income taxes							**$ 622**	$ (1,368)

28. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Big Rock has entered into various commitments for expenditures over the next five years:

	2019	2020	2021	2022	2023	thereafter
Utilities contracts	$ 30	$ 30	$ 14	$ —	$ —	$ —
Raw material purchase commitments	206	15	15	—	—	—
Marketing sponsorships	214	105	—	—	—	—
Operating leases	696	736	765	770	775	691
Long-term debt	409	431	456	482	508	1,492
License obligation	138	145	151	158	166	962
Finance lease	347	367	387	746	—	—
Total	**$ 2,040**	**$ 1,829**	**$ 1,788**	**$ 2,156**	**$ 1,449**	**$ 3,145**

Big Rock has entered into operating lease agreements for storage facilities, warehouses, breweries, and retail locations. The remaining terms of these leases range between 4 and 10 years. Certain leases contain extension and renewal options. Operating lease payments of $736 (2017 - $697) were recognized as expense in the Statement of Comprehensive Income in 2018.

29. SIGNIFICANT TRANSACTION

On October 18, 2018, the Corporation acquired certain brewing assets for $535 and inventory for $135 (the "**Fireweed Transaction**") from Fireweed. As part of the Fireweed Transaction, the Corporation entered into a licensing agreement that grants the Corporation exclusive rights to the trademark and other intellectual property, with an option to acquire the intellectual property outright at the end of the term, for the maximum amount payable of $2,000, net of all payables made to Fireweed based on volumes of Fireweed branded products sold over the term. On the acquisition date, Big Rock recorded an intangible asset value of $1,885 (based on net present value of expected fees and volumes), including closing costs, and an offsetting liability of $1,745. Management has made certain assumptions to arrive at the net present value of the license obligation.

On closing of the acquisition, the Corporation has netted the amounts receivable from Fireweed with amounts owed for brewing assets and inventory acquired from Fireweed.

30. COMPARATIVE AMOUNTS

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

CORPORATE INFORMATION

Executive Team

Wayne Arsenault
President & Chief Executive Officer

Donald Sewell
Chief Financial Officer

Paul Howden
Vice President, Sales

Paul Gautreau
Vice President, Operation & Brewmaster

Auditors
Ernst & Young LLP
Calgary, City Centre
2200 215 2nd Street SW
Calgary, Alberta T2P 1M4

Transfer Agent
Computershare Trust Company of Canada
600, 530 8th Avenue SW
Calgary, Alberta T2P 3S8

Board of Directors

Michael Kohut[(1)]
Chairman
Calgary, Alberta

Kathleen McNally-Leitch[(2)]
Vice Chairman, Chair, Corporate Governance Committee
Calgary, Alberta

Stephen J. Giblin[(1)]
Chair, Audit Committee
Vancouver, British Columbia

James Riddell[(3)]
Chair, Compensation and Human Resources Committee
Calgary, Alberta

P. Donnell Noone [(1)(2)(3)]
Greensboro, North Carolina, USA

Alanna McDonald[(2)]
Montreal, Quebec

Robert G. Peters[(3)]
Calgary, Alberta

(1) Audit Committee member
(2) Corporate Governance Committee Member
(3) Compensation and Human Resources Committee Member

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