FIRST QUARTER 2018 HIGHLIGHTS

$000, except hl and per share amounts	Three months ended March 31	
	2018	2017
Sales volumes (hectolitres or "hl")	41,144	43,477
Net revenue	$ 9,466	$ 9,589
Operating loss	(505)	(1,157)
Net loss	(387)	(907)
Loss per share (basic & diluted)	$ (0.06)	$ (0.13)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Big Rock Brewery Inc. ("the Corporation" or "Big Rock") for the quarters ended March 31, 2018 and 2017.

This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Corporation and accompanying notes as at and for the quarter ended March 31, 2018 (the "Financial Statements") and the December 30, 2017 audited consolidated financial statements and MD&A. The 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, 2017, 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 May 3, 2018.

CORPORATE PROFILE

Big Rock Brewery 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 a broad family of permanent ales and lagers, the Rock Creek series of craft ciders, and a continually changing selection of seasonal and limited-edition beers.

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

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.

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

INDUSTRY TRENDS AND INDICATORS

The Canadian beer industry continues to be increasingly polarized, with sales growth occurring in value-priced products and private label beers at one end of the spectrum and in premium craft beers, such as the Corporation's Signature Series, at the other end. This growth is largely at the expense of products in the middle of the spectrum, which have been declining steadily over the past several years. Economic pressures on consumers, particularly in the Alberta market have continued to influence increased sales of value-priced products. Ongoing competitive activity in Big Rock's major regions of operation (Alberta, BC and Ontario) continues to cause pressure on the craft beer market share.

Big Rock's operating results for the quarter ended March 31, 2018 improved to report an operating loss of $505 compared to an operating loss of $1,157 in the first quarter of 2017. Despite a 5% decrease in total sales volumes during the three months ended March 31, 2018, Big Rock realized an increase in its net revenue per hl of $9.52 (4.3%) to $230.07 compared to $220.55 per hl in the first quarter of 2017. In addition, gross profit margin improved in the first quarter of 2018 to 41%, compared to 38% in the first quarter of 2017. These improvements reflect the impact of pricing adjustments that were introduced in Alberta late 2017 and in other regions during the first quarter of 2018 as well as improved Alberta net mark-up rates on beer and cider.

Big Rock's net revenues are highly sensitive to pricing adjustments, regulatory changes to markup rates and excise tax rates. During 2017, Alberta, Big Rock's largest market, was negatively impacted by changes to the Alberta government's mark-up and grant structure that was implemented in late 2016, which introduced a grant, available under the Alberta Small Brewers Development Grant policy. Under this policy, annual sales level of 150,000 hectolitres ("hl") in Alberta results in the maximum grant available for producers. Big Rock's annual Alberta sales volumes exceed this threshold, which resulted in higher net costs per hl during 2017. The Corporation took steps to improve the grant rate in 2017, which included optimizing its Alberta sales volumes and profit margins by discontinuing two lower margin products, reducing the number of limited-time offer price discounts, and implemented price increases on value-priced and private label products in Alberta in the fourth quarter of 2017.

Big Rock expects the grant rate improvement to continue until the end of July 2018, at which time the grant rate will be reset, based on the Alberta Small Brewers Development Grant policy currently in effect. The Corporation continues to work with the Alberta Government with the objective of improving the environment for growth beyond 150,000 hl in the province.

Big Rock's volumes were 41,144 hl in the first quarter of 2018, compared to 43,477 hl in the first quarter of 2017 reflecting the discontinuation of two low-margin products in 2017, partially offset by increased sales of cider, value-priced brands and Big Rock's Barn Burner variety pack. Big Rock's fastest pace of growth in the first quarter of 2018 came from the BC region, due in part to an increase in sales of cider and increased beer sales resulting from the sales team focusing on select core brands. Sales volumes declined in Big Rock's other major regions (Alberta and Ontario) during the first quarter of 2018 compared to the first quarter of 2017, mainly reflecting the discontinued brands from 2017 and the impact of increased competition in the craft beer market, which were, in part, offset by increased volumes of Big Rock's most approachable lager, Alberta Genuine Draft ("AGD").

Big Rock packaged product sales decreased in the first quarter of 2018, particularly in Alberta, largely due to the previously noted discontinued products. In addition, Big Rock's packaged product sales are directly impacted by the weakness in the general economy and, in particular, retail store channels. Big Rock keg sales increased during the first quarter of 2018 over the prior year quarter due mainly to increases in the Ontario and BC markets, where AGD kegs have taken a lead in brand sales.

The Corporation continues to search for initiatives that will improve its asset utilization in its BC and Ontario breweries. As a result, on April 19, 2018 Big Rock announced that it has entered into a contractual joint venture arrangement with another independently owned craft brewery which will operate and manage the Vancouver brewery location, effective June 1, 2018. This is expected to contribute to the Corporation's profitability in the second half of 2018, as the facility's production capacity will be maximized.

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 industry trends.

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

	2018	**2017**				2016		
($000, except hl and per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volumes (hl)	41,144	47,165	57,075	61,703	43,477	46,993	54,237	56,524
Net revenue	$ 9,466	$11,089	$12,399	$13,496	$ 9,589	$10,439	$11,669	$12,117
Operating profit (loss)	(505)	33	(159)	246	(1,157)	(220)	416	656
Net income (loss)	(387)	(141)	(179)	207	(907)	(287)	234	383
Earnings per share (basic & diluted)	$ (0.06)	$ (0.02)	$ (0.03)	$ 0.03	$ (0.13)	$ (0.04)	$ 0.03	$ 0.06
$ Per hl Amounts								
Net revenue	230.07	235.11	217.24	218.73	220.55	222.14	215.15	214.37
Cost of sales	135.43	146.95	124.45	124.42	137.20	137.59	112.97	116.09
Selling expenses	75.71	60.95	73.87	63.27	75.79	60.68	63.31	59.16
General & administrative	28.32	24.02	19.68	25.14	31.44	25.54	28.69	25.72
Operating profit (loss)	(12.27)	0.70	(2.79)	3.99	(26.61)	(4.68)	7.67	11.61
Net income (loss)	(9.41)	(2.99)	(3.14)	3.35	(20.86)	(6.11)	4.31	6.78

RESULTS OF OPERATIONS

Big Rock reported a net loss of $387 for the first quarter of 2018 compared to a net loss of $907 in the first quarter of 2017. Big Rock's operating loss of $505, for the quarter ended March 31, 2018 improved by $652 (56%), compared to an operating loss of $1,157 in the prior year, and resulted from improved gross margin, and a reduction in operating expenses.

SEGMENTED INFORMATION

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

The retail segment sells beverages, food and merchandise to end consumers through premises owned and/or operated by the Corporation.

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

For the three months ended March 31

	Wholesale		Retail		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Net Revenue	$ 9,065	$ 9,056	$ 558	$ 668	$ (157)	$ (135)	$ 9,466	$ 9,589
Cost of sales	4,871	5,247	858	853	(157)	(135)	5,572	5,965
Gross profit	4,194	3,809	(300)	(185)	—	—	3,894	3,624
Selling expenses	3,105	3,262	10	33	—	—	3,115	3,295
Segment profit	$ 1,089	$ 547	$ (310)	$ (218)	$ —	$ —	$ 779	$ 329
General & administrative costs							1,165	1,367
Depreciation & amortization							119	119
Operating loss							(505)	(1,157)
Finance expense							98	93
Other income (expense)							(20)	13
Loss before income taxes							$ (623)	$ (1,237)

I. 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, followed sequentially by BC and Ontario.

($000, except volumes)	Three months ended March 31		
	2018	2017	Change
Sales volumes (hl)	41,144	43,477	(2,333)
Gross revenue	$ 12,943	$ 13,283	$ (340)
Federal excise taxes	(1,134)	(1,186)	52
Provincial liquor tax programs	(2,343)	(2,508)	165
Net revenue	**$ 9,466**	**$ 9,589**	**$ (123)**
Net revenue by segment			
Wholesale	$ 8,908	$ 8,921	$ (13)
Retail	558	668	(110)
Net revenue	$ 9,466	$ 9,589	$ (123)
$ per hl			
Wholesale net revenue	216.51	205.19	11.32

Sales volumes were 41,144 hl for the quarter ended March 31, 2018, a decrease of 2,333 (5.4%), compared to 43,477 hl reported in the first quarter of 2017. As a result, net revenue was $9,466, a decrease of $123 (1.3%) for the quarter ended March 31, 2018 compared to the quarter ended March 31, 2017.

Gross revenue was $12,943 for the quarter ended March 31, 2018, a decrease of $340 (2.6%) compared to the first quarter of 2017. Gross revenue decreases for the quarter ended March 31, 2018 were offset, in part, by a decrease in provincial liquor tax program costs due to lower volumes and improved mark-up rates in Alberta.

Wholesale Revenue

Wholesale net revenue and volumes decreased by $13 (0.1%) and 2,333 hl (5.4%), for the quarter ended March 31, 2018, compared to the prior year. Wholesale per hl net revenue was $216.51 for the first quarter of 2018, an improvement of $11.32 (5.5%) per hl, compared to the first quarter of 2017.

Volumes in value brands and ciders continue to grow during the first quarter of 2018, primarily in Alberta and BC, offset by lower volumes of permanent brands and private label brands compared to the first quarter of 2017. Total beer volumes were down in the first quarter of 2018 compared to the same quarter in 2017 due to the focus on product mix. Big Rock permanent brands declined overall during the first quarter of 2018 compared to the first quarter of 2017, offset in part by continued growth in Big Rock's award-winning Pilsner and Rhinestone Cowboy. Seasonal volumes decreased during the first quarter of 2018, compared to the same period in 2017, due to timing of sales of the seasonal brand Winter Spice, which sold out during the fourth quarter of 2017.

Retail Revenue

Retail net revenue decreased by $110 (16.5%) for the quarter ended March 31, 2018 compared to the same period in 2017, reflecting the impact of economic pressures on consumers, which affects retail and on-premise revenues.

II. Cost of Sales

($000, except volumes)	Three months ended March 31		
	2018	2017	Change
Operating expenses	$ 3,171	$ 3,800	$ (629)
Salaries and benefits	1,728	1,553	175
Depreciation	673	612	61
Cost of sales	**$ 5,572**	**$ 5,965**	**$ (393)**
Cost of sales by segment			
Wholesale:			
Materials	$ 1,698	$ 2,357	$ (659)
Labour	1,454	1,294	160
Overhead	999	942	57
Depreciation	563	519	44
Wholesale cost of sales	4,714	5,112	(398)
Retail:			
Operating costs	748	760	(12)
Depreciation	110	93	17
Retail cost of sales	858	853	5
Total cost of sales	$ 5,572	$ 5,965	$ (393)

$ per hl	Three months ended March 31		
	2018	2017	Change
Wholesale cost of sales:			
Materials	$ 41.27	$ 54.21	$(12.94)
Labour	35.34	29.76	5.58
Overhead	24.28	21.67	2.61
Depreciation	13.68	11.94	1.74
Wholesale cost of sales	$ 114.57	$ 117.58	$ (3.01)

Cost of sales decreased for the three months ended March 31, 2018 by $393 from the prior year as described below:

- Materials, which include ingredients and packaging, decreased by $659 for the three months ended March 31, 2018 due to decreased volumes and input costs.

- Labour charges for the first quarter of 2018 increased by $160 for the three months ended March 31, 2018 due to an increase in production staff and temporary labour, partially offset by savings from improved management of plant labour overtime and scheduling.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs increased by $57 due to higher property taxes and waste removal charges.

- Depreciation charges on production equipment increased $44 reflecting an increase in the depreciation base, largely driven by new brewery equipment which was added in the last half of 2017.

- Retail cost of sales increased by $5, resulting from increased depreciation charges relating to retail assets, partially offset by a decrease in operating costs, mainly in direct cost of sales.

III. Selling Expenses

($000)	Three months ended March 31		
	2018	2017	Change
Selling:			
Delivery & distribution expenses	$ 886	$ 873	$ 13
Salaries & benefits	1,132	931	201
Marketing & sales expenses	1,097	1,491	(394)
Total selling expenses	$ 3,115	$ 3,295	$ (180)

$ per hl	Three months ended March 31		
	2018	2017	Change
Selling:			
Delivery & distribution	$ 21.53	$ 20.08	$ 1.45
Salaries & benefits	27.52	21.41	6.11
Marketing & sales expenses	26.66	34.29	(7.63)
Total selling expenses	$ 75.71	$ 75.78	$ (0.07)

Selling expenses decreased for the three months ended March 31, 2018 by $180 compared with the same period last year as detailed below:

- Delivery and distribution costs increased marginally by $13 due to an impact of the fuel surtax on trucking in the Alberta market.

- Salaries and benefit costs increased by $201 due costs associated with severance costs associated with realigning the sales team, and increased benefits costs.

- Marketing and sales costs decreased by $394 mainly due to timing of planned marketing campaigns and timing of promotional sales spending.

IV. General and Administrative Expenses

($000)	Three months ended March 31		
	2018	2017	Change
General & Administrative:			
Salaries & benefits	$ 544	$ 721	$ (177)
Professional fees	210	267	(57)
Other administrative expenses	411	379	32
Total general & administrative expenses	$ 1,165	$ 1,367	$ (202)

General and administrative expense decreased by $202 for the three months ended March 31, 2018 compared with the same period in the prior year as detailed below:

- Salaries and benefit costs decreased by $177 for the quarter primarily due to lower share-based payment expense, which was a credit of $276, compared to a $144 charge in the first quarter of 2017, offset by increased benefit costs and training and development expenditures.

- Professional fees, which include legal, audit, tax and accounting advisory services, decreased by $57 mainly due to a decrease in recruitment and advisory fees.

- Other administrative expenses are higher than 2017 by $32 due to increased general office expenses.

V. Finance Expenses

($000, except interest rates)	Three months ended March 31		
	2018	2017	Change
Interest on operating facility	$ –	$ 22	$ (22)
Interest on long-term debt	98	71	27
Total finance expenses	$ 98	$ 93	$ 5
Weighted average effective interest rate	4.00%	4.24%	

The carrying amount of bank indebtedness, long-term debt and finance lease obligations was $7,534 as at March 31, 2018 compared to $6,416 as at December 30, 2017. The interest rates applicable to all loans and borrowings are based on the lender's prime rate, plus an applicable margin. The increase in interest expense for the quarter ended March 31, 2018 compared to the same period last year reflects the impact of lower average borrowings outstanding for the period, offset by an increase in the bank's prime interest rate (See "Cash Flows - Financing Activities").

VI. Depreciation and Amortization

($000)	Three months ended March 31		
	2018	2017	Change
Depreciation, Cost of Sales	$ 673	$ 612	$ 61
Depreciation, Other	75	81	(6)
Amortization	44	38	6
Total	$ 792	$ 731	$ 61

Depreciation expense included in cost of sales increased by $61 for the three months ended March 31, 2018 compared with the same period last year due to an increase in the depreciation base caused by the acquisition of production assets in 2017. Other depreciation and amortization expense, which relate to non-operating assets, remained relatively consistent with the same period in 2017.

VII. Other Income

($000)	Three months ended March 31		
	2018	2017	Change
Other income (expense)	$ (20)	$ 13	$ (33)

Other income (expense) includes a loss on the sale of equipment and furniture during the quarter ended March 31, 2018, whereas a gain was reported in the first quarter of 2017.

VIII. Income Taxes

($000)	Three months ended March 31		
	2018	2017	Change
Current income tax recovery	$ (20)	$ (65)	$ 45
Deferred income tax recovery	(216)	(265)	49
Total	$ (236)	$ (330)	$ 94

Current income tax recoveries of $20 and $65 were recorded for the three months ended March 31, 2018 and prior year quarter. They reflect expected taxes recoverable arising from a loss carry back and the transitional provisions on the taxation of partnership deferral structures. Deferred tax recoveries of $216 and $265 were recorded for the three months ended March 31, 2018 and the prior year quarter.

The deferred income tax provision differs from the statutory rate of 26.86% (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 March 31, 2018:

($000, unless otherwise stated)	**Increase/ (Decrease)**	**Primary factors explaining change**
Accounts receivable	853	Increase in outstanding balances from customers
Inventories	931	Increase in brews in progress and finished goods due to timing of the production schedule
Prepaid expenses & deposits	130	Increase in community sponsorship due to timing of planned events
Property, plant & equipment	(831)	Additions, offset by asset disposals and depreciation charges
Intangible assets	(19)	Software and website additions offset by amortization
Bank indebtedness	1,330	Increase in the combined balances of outstanding cheques and the operating loan balance
Accounts payable & accrued liabilities	745	Timing of supplier payments
Share-based payments	(336)	Lower share appreciation rights valuation due to a decrease in share price
Long term debt & finance lease	(212)	Net repayment of term loans and finance lease
Lease incentive	8	Amortization of incentive
Deferred income taxes	(216)	Tax effect of changes in temporary differences

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

($000, unless otherwise stated)	March 31, 2018	December 30, 2017
Cash	$ (96)	$ (168)
Total debt	7,534	6,416
Net debt[1]	7,438	6,248
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,407	1,347
Accumulated deficit	(78,696)	(78,309)
Total shareholders' equity	36,556	36,883
Total capitalization (total debt plus shareholders' equity, net of cash) [1]	$ 43,994	$ 43,131
Net debt to total capitalization ratio [1]	16.9%	14.5%

(1) Non-GAAP measure. See "Non-GAAP Measures"

Capital Strategy

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

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

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

In addition, the Corporation monitors its capital using ratios of (i) EBITDA to net debt (total debt less cash balances) and (ii) EBITDA to debt repayments, interest, income taxes and dividends paid ("Fixed Charges"). EBITDA to net debt 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:

($000)	Three months ended March 31		
	2018	2017	Change
Net loss	$ (387)	$ (907)	$ 520
Add back:			
Interest	98	93	5
Taxes	(236)	(330)	94
Depreciation & amortization	792	731	61
EBITDA [1]	$ 267	$ (413)	$ 680

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

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

Cash Flows

($000)	Three months ended March 31		
	2018	2017	Change
OPERATING ACTIVITIES			
Net loss for the period, adjusted for items not affecting cash	$ (44)	$ (283)	$ 239
Net change in non-cash working capital	(1,169)	(945)	(224)
Cash used by operating activities	(1,213)	(1,228)	15
FINANCING ACTIVITIES			
Increase in bank indebtedness	1,330	1,349	(19)
Repayment of long-term debt	(135)	(117)	(18)
Repayment of finance lease	(80)	(88)	8
Proceeds from exercised options	—	638	(638)
Cash provided by financing activities	1,115	1,782	(667)
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	(29)	(353)	324
Purchase of intangible assets	(25)	(102)	77
Proceeds from sale of property, plant & equipment	80	—	80
Cash provided by (used in) investing activities	26	(455)	481
Net change in cash	$ (72)	$ 99	$ (171)

Operating Activities

Cash used by operating activities for the three months ended March 31, 2018 totalled $1,213, an improvement of $15 compared to the same period last year, primarily due to a reduction in the operating loss during the first quarter of 2018 compared to first quarter of 2017, offset in part by an increase in working capital balances.

Financing Activities

Cash provided by financing activities for the three months ended March 31, 2018 decreased by $667 compared with the same period in 2017 as there were no options exercised in the first quarter of 2018.

The Corporation has a $5 million revolving operating loan facility and a $6 million 5-year term revolving loan facility. The revolving operating loan facility is available for general operating purposes and funding capital expenditures, as required. The $6 million 5-year term revolving loan facility is available to fund capital expenditures.

Advances under the credit facilities may be made by way of Canadian prime rate loans and letters of credit. During the year ended December 30, 2017, proceeds of $1.0 million were received from long-term debt to fund capital expenditures, whereas $2.5 million was drawn on the long-term debt during the year ended December 30, 2016 to fund capital expenditures.

Interest is payable for prime-based loans under the revolving operating facility at the financial institution's prime rate plus 0.75 percent and on the term facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable. Both facilities mature after a term of 5 years and any undrawn amounts under the facilities will expire on

March 23, 2021, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month EBITDA, less an amount for maintenance capital compared to the rolling 12-months fixed charges. Fixed charges are the sum of principal repayments, interest, dividends and income taxes paid. In addition, Big Rock's borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. As at March 31, 2018, Big Rock was in compliance with its covenants.

As at March 31, 2018, bank indebtedness was $1,414 (December 30, 2017 - $84), of which $340 was outstanding on the operating loan facility (December 30, 2017 - $nil).

	March 31, 2018	December 30, 2017
Term debt	$ 4,046	$ 4,181
Debt issue costs	(23)	(26)
	4,023	4,155
Current portion	(414)	(417)
Long term debt	$ 3,609	$ 3,738

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 for contingent rental payments.

As of March 31, 2018, the net carrying amount of the leased assets is $2,305 (December 30, 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.

As at	March 31, 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	$ 438	$ 104	$ 334	$ 439	$ 110	$ 329
Between one & five years	1,959	196	1,763	2,067	219	1,848
	2,397	300	2,097	2,506	329	2,177
Reported as:						
Current portion			$ 334			$ 329
Long term portion			1,763			1,848
Present value of finance lease			$ 2,097			$ 2,177

Investing Activities

($000)	Three months ended March 31		
	2018	2017	Change
Land	$ —	$ 27	$ (27)
Buildings & leasehold improvements	15	73	(58)
Machinery & equipment	10	246	(236)
Office furniture & fixtures	4	7	(3)
Capital spending, tangible assets	29	353	(324)
Capital spending, intangible assets	25	102	(77)
Total capital spending	54	455	(401)
Proceeds on dispositions	(80)	—	(80)
Net capital spending	$ (26)	$ 455	$ (481)

During the three months ended March 31, 2018, a total of $54 was spent on capital expenditures, a decrease of $401 compared to $455 for the same period in 2017. During the first quarter of 2017, expenditures were incurred to fully commission the brewery and brewpub facilities in Ontario. Proceeds of $80 were received during the quarter ended March 31, 2018 from the sale of unused bottling line assets.

Shareholders' Capital

As At	March 31, 2018		December 30, 2017	
($000, except # of shares)	# of shares	Amount	# of shares	Amount
Outstanding at beginning of period	6,981,628	$ 113,845	6,875,928	$ 113,121
Shares issued upon exercise of options	—	—	105,700	724
Outstanding at end of period	6,981,628	$ 113,845	6,981,628	$ 113,845

Big Rock is authorized to issue an unlimited number of common shares with no par value. The Corporation's shares trade on the Toronto Stock Exchange under the symbol BR. As at March 31, 2018, based on a closing price of $4.88 per share, Big Rock's market capitalization was approximately $34.1 million. As at March 31, 2018 there were 6,981,628 issued and outstanding common shares.

Share-based Payments

Big Rock has a Share Option Plan and a Share Appreciation Rights ("SAR") Plan both of which are a component of overall compensation of directors, officers, and employees of the Corporation. The Compensation and Human Resources Committee of the Board of Directors of Big Rock determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The fair values of issued options and SARs is determined using the Black Scholes Option pricing model. The following share-based compensation expense is included in general and administrative expenses on the Statements of Comprehensive Loss for the three months ended March 31, 2018 and 2017:

For the three months ended March 31	**2018**	2017
Equity-settled plans (Stock Options)	$ 60	$ -
Cash-settled plans (SARs)	(336)	144
Total share-based compensation expense	$ **(276)**	$ 144

Share option plan – Equity Settled

Big Rock has granted stock options to certain officers and directors of the Corporation pursuant to the Stock Option Plan. Options granted under the 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 Big Rock's shares have traded during the five trading days immediately preceding the date of grant.

Big Rock's options are granted with different vesting conditions: time-based vesting and market-performance based vesting. Time based share options granted in 2017 and 2018 vest over five years, with one-fifth vesting upon grant date, followed by an additional one-fifth vesting on each subsequent anniversary date. Prior to 2017, options vested immediately.

Market-performance based vesting options, vest in tranches of one-third upon the closing price of the Corporation's shares equaling or exceeding $8.50, $10.50 and $11.50 respectively. None of the options are exercisable at March 31, 2018. The following options are outstanding as at March 31, 2018, and December 30, 2017:

	March 31, 2018				December 30, 2017			
	# Options	Weighted average exercise price ($)		Remaining Life (years)	# Options	Weighted average exercise price ($)		Remaining Life (years)
Time-based Options								
Outstanding	175,000	$	6.44	4.72	75,000	$	7.75	4.67
Exercisable	35,000	$	6.44	4.72	15,000	$	7.75	4.67
Market-performance Options								
Outstanding	69,000	$	6.50	3.69	69,000	$	6.50	4.00
Exercisable	—		—	—	—		—	—

See Note 15 to the Financial Statements for more information.

Share Appreciation Rights – Cash Settled

The Board of Directors may issue an unlimited number SARs under the SARs Plan. SARs granted under the 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 Big Rock's shares have traded during the five trading days immediately preceding the date of grant. The exercise of SARs is settled in cash.

The following liability is recorded in the Financial Statements as at March 31, 2018 and December 30, 2017:

	March 31, 2018		December 30, 2017	
Share-based payments - current	$	312	$	599
Share-based payments – long term		12		61
Total liability	$	324	$	660

Big Rock's SARs are granted with different vesting conditions: time-based vesting and market-performance based vesting. Time based SARs granted in 2017 vest over three years, 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.

Market-performance based vesting SARs, vest in tranches of one-third upon the closing price of the Corporation's shares equaling or exceeding $8.50, $10.50 and $11.50 respectively. None of the SARs are exercisable at March 31, 2018.

Outstanding SARs

	March 31, 2018				December 30, 2017		
	# SARs	Weighted average exercise price ($)		Remaining Life (years)	# SARs	Weighted average exercise price ($)	Remaining Life (years)
Time-based SARs							
Outstanding	516,000	$	8.87	2.89	575,900	$ 9.25	2.96
Exercisable	403,981	$	9.37	2.53	407,877	$ 10.27	2.38
Market-performance SARs							
Outstanding	81,000	$	6.50	3.69	81,000	$ 6.50	4.00
Exercisable	—		—	—	—	—	—

See Note 14 to the Financial Statements for more information.

OFF BALANCE SHEET ARRANGEMENTS

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2018	2019	2020	2021	2022	thereafter
Utilities contracts	$ 30	$ 30	$ 30	$ 14	$ —	$ —
Raw material purchase commitments	2,430	59	14	4	—	—
Marketing sponsorships	335	214	105	—	—	—
Operating leases	711	691	755	763	774	1,272
Long-term debt	417	437	458	480	503	1,885
Finance lease	334	352	372	1,039	—	—
Total	$ 4,257	$ 1,783	$ 1,734	$ 2,300	$ 1,277	$ 3,157

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 $174 were recognized as an expense in the Financial Statements for the quarter ended March 31, 2018 (2017 - $207).

SUBSEQUENT EVENTS

On April 19, 2018, the Corporation entered in a contractual joint venture arrangement (“the Arrangement”) with Fireweed Brewing Corporation (“Fireweed”) whereby Fireweed will operate and manage the Vancouver, British Columbia brewery. The Vancouver brewery is undergoing renovations to add brewing vessels and new canning lines which will expand the annual production capacity to 26,000 hectolitres. The effective date of the Arrangement is expected to be May 31, 2018, whereby subsequent to that date, operating results from the joint venture will be shared equally between the Corporation and Fireweed.

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. An increased number of imports are also being sold in the same markets where Big Rock competes for business.

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

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

Each provincial authority has its own tax or "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 four times in the last five years, contributing to market uncertainty and has impacted Big Rock's results in a corresponding manner. In particular, the most recent changes, which were announced by the Alberta government in July 2016, stated that, effective August 5, 2016, the graduated mark-up rate structure would be replaced 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. As Alberta is Big Rock's predominant market, future changes to this mark-up rate structure could have significant impacts on the Corporation's financial results. The Corporation will continue to assess the longer-term implications of these recent changes.

Financial Risk

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

Foreign exchange risk

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

Interest rate risk

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

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors the Corporation's interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the amount of debt required by the Corporation. The weighted average interest rate for the three months ended March 31, 2018 was 4.0% (2017 - 4.24%).

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 a large portion of 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.

Liquidity risk

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

Commodity price risk

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

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

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 8, 2018 that is available on www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three months ended March 31, 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, 2017.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Corporation's consolidated financial statements as at and for the years ended March 31, 2018 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, 2017 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 for Big Rock:

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

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management under the supervision of, and with the participation of, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation, have designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion.

The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of March 31, 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 three months ended March 31, 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 March 31, 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 March 31, 2018. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

OUTLOOK

Big Rock's operating results for the quarter ended March 31, 2018 improved compared to the first quarter of 2017, reflecting pricing and product mix initiatives which were implemented during the latter part of 2017.

Big Rock's profitability is highly sensitive to changes in government policy affecting mark-up rates and agriculture-related provincial government grant programs. Late in 2016, the Alberta government introduced a revision to the provincial mark-up policy which resulted in a flat mark-up rate, and a grant program, administered by the Department of Agriculture. Under this new structure, the maximum grant rate available to producers is based on optimal annual sales in Alberta of 150,000 hl. The Corporation initiated discussions with the Alberta government and undertook actions to mitigate the impact of higher net mark-up rates by reducing the number of limited-time offer price promotions and implementing price increases in Alberta for the fourth quarter of 2017 on Big Rock's value and private label brand categories. To improve Big Rock's grant rate going forward, the Corporation took steps to optimize its Alberta sales volumes and profit margins by discontinuing two lower margin products in 2017. As a result, Big Rock's net mark-up rate (mark-up less grant), and profit margins improved during the last quarter of 2017 and first quarter of 2018. The Corporation expects the grant rate improvement to continue until the end of July 2018, at which time the grant rate will be reset, based on the existing Alberta Small Brewers Development Grant policy in effect at that time.

The Corporation continues to work with the Alberta Government with the objective of improving the business environment for growth beyond 150,000 hl in the province. Competition continues unabated at the value-priced end of the beer market and for premium craft beer, particularly in Alberta, which, unlike most other Canadian jurisdictions, has relatively few barriers to entry for out-of-province producers. This competition particularly affects Big Rock's most mature brands, Grasshopper and Traditional. An influx of new microbreweries in Alberta and general competition for taps in all markets contribute to continued pressure on the Corporation's keg product sales.

To diversify revenue base, Big Rock established a local presence in BC and Ontario over the last two and a half years. These markets have been targeted as they are especially responsive to locally brewed, craft beer. The BC brewery, brewpub and retail space commenced operations during the second quarter of 2015, the Ontario brewery and tasting room commenced operations late in the third quarter of 2016 and the brewpub and retail operations located in Liberty Village, near the Etobicoke brewery, opened on February 1, 2017. Growth in the BC market has been lower than initially anticipated in the face of an increase in the number of breweries and products vying for a limited number of listings available through BC government and retail channels.

As a response to the competitive business and regulatory environment in BC, Big Rock announced on April 19, 2018 that the Corporation had entered into a contractual joint venture arrangement with an independently Canadian-owned craft brewery, which will operate and manage the Vancouver brewery location, effective June 1, 2018. It is expected that this will contribute to the Corporations profitability in the second half of 2018, as the facility's production capacity will be maximized.

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

Management will continue to monitor and adjust the selling prices of its products, actively manage operating costs, assess regional profitability and focus on operating efficiencies. Management also plans to continue to introduce new permanent and seasonal brands from all three of its production hubs in 2018 and beyond.

NON-GAAP MEASURES

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

- expected sales volumes;
- the expected increase in average margins;
- 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 impact of recent changes in Alberta mark-up rates and any further changes in the future;
- the expected reduction in the net mark-up rate (mark-up less grant) in effect in Alberta for the first half of 2018;
- the expected positive effect on the net mark-up rate for self-distributed cider products; and
- the expected continued investment in targeted marketing opportunities;
- the expected contribution to the Corporation’s profitability in the second half of 2018 from the Corporation’s British Columbia joint venture; and
- the expectation the Corporation will have adequate sources of funding to finance the Corporation’s operations.

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;
- the Corporation’s sale of undeveloped land will close as anticipated and;
- the Corporation’s ongoing discussions with the Alberta Government with respect to the mark-up and grant program will be successful in improving the mark-up and grant programs applicable to Big Rock; and
- the Corporation’s British Columbia joint venture will maximize productivity of its British Columbia brewery.

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 2017 Annual Information Form dated March 8, 2018 that is available on SEDAR at www.sedar.com. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Big Rock does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

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

		Three months ended March 31	
	Note	**2018**	2017
Revenue			
Net revenue	3	$ 9,466	$ 9,589
Cost of sales	4	5,572	5,965
Gross profit		3,894	3,624
Expenses			
Selling expenses	5	3,115	3,295
General and administrative	6	1,165	1,367
Depreciation and amortization		119	119
Operating expenses		4,399	4,781
Operating loss		(505)	(1,157)
Finance expenses		98	93
Other income (expense)		(20)	13
Loss before income taxes		(623)	(1,237)
Income tax recovery			
Current		(20)	(65)
Deferred		(216)	(265)
		(236)	(330)
Net loss and comprehensive loss		$ (387)	$ (907)
Net loss per share			
Basic and diluted	7	**$ (0.06)**	$ (0.13)

See accompanying notes to the condensed interim consolidated financial statements

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

As at	Note	March 31, 2018	December 30, 2017
ASSETS			
Current			
Cash		$ 96	$ 168
Accounts receivable	8	2,499	1,646
Inventories	9	5,917	4,986
Prepaid expenses and deposits		499	369
Current taxes receivable		156	156
		9,167	7,325
Non-current			
Property, plant and equipment		43,397	44,228
Intangible assets		547	566
		43,944	44,794
Total assets		**$ 53,111**	**$ 52,119**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	11	$ 1,414	$ 84
Accounts payable and accrued liabilities	10	4,218	3,473
Long term debt - current	11	414	417
Finance lease - current	12	334	329
Share-based payments	14	312	599
		6,692	4,902
Non-current			
Long term debt	11	3,609	3,738
Finance lease	12	1,763	1,848
Lease incentive liability	13	236	228
Share-based payments	14	12	61
Deferred income taxes		4,243	4,459
		9,863	10,334
EQUITY			
Shareholders' capital		113,845	113,845
Contributed surplus	15	1,407	1,347
Accumulated deficit		(78,696)	(78,309)
		36,556	36,883
Total liabilities and shareholders’ equity		**$ 53,111**	**$ 52,119**

Commitments	19
Subsequent events	21

See accompanying notes to the condensed interim consolidated financial statements

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

	Note	Three months ended March 31 2018	2017
OPERATING ACTIVITIES			
Net loss for the period		$ (387)	$ (907)
Items not affecting cash:			
Depreciation and amortization		792	731
Loss on sale of assets		32	—
Share-based payments		(276)	144
Lease incentive		8	13
Amortized debt issue costs		3	1
Deferred income tax expense (recovery)		(216)	(265)
		(44)	(283)
Net change in non-cash working capital related to operations	17	(1,169)	(945)
Cash used by operating activities		(1,213)	(1,228)
FINANCING ACTIVITIES			
Increase in bank indebtedness		1,330	1,349
Repayment of long-term debt		(135)	(117)
Repayment of finance lease		(80)	(88)
Proceeds from exercised options		—	638
Cash provided by financing activities		1,115	1,782
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(29)	(353)
Purchase of intangibles		(25)	(102)
Proceeds from sale of property, plant and equipment		80	—
Cash provided by (used in) investing activities		26	(455)
Net decrease in cash		(72)	99
Cash, beginning of period		168	207
Cash, end of period		**$ 96**	$ 306

	2018	2017
Supplemental cash-flow information		
Cash interest paid	$ 96	$ 91
Cash taxes paid	—	—

See accompanying notes to the condensed interim consolidated financial statements

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

	# Common Shares	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2016	6,875,928	113,121	1,438	(77,289)	37,270
Share-based payments	105,700	—	50	—	50
Stock options exercised	—	724	(141)	—	583
Total comprehensive loss	—	—	—	(1,020)	(1,020)
Balance as at December 30, 2017	6,981,628	113,845	1,347	(78,309)	36,883
Share-based payments	—	—	60	—	60
Total comprehensive loss	—	—	—	(387)	(387)
Balance as at March 31, 2018	**6,981,628**	**$ 113,845**	**$ 1,407**	**$ (78,696)**	**$ 36,556**

See accompanying notes to the condensed interim consolidated financial statements

(In thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Financial Statements 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 Financial Statements were approved and authorized for issue by the Board of Directors on May 3, 2018.

2.1 Basis of presentation

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

2.2 Future accounting pronouncements

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

- 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.

(In thousands of Canadian dollars, unless otherwise stated)

- 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.

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

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

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

3. NET REVENUE

	Three months ended March 31	
	2018	2017
Gross product revenues	$ 12,943	$ 13,283
Federal excise taxes	(1,134)	(1,186)
Provincial liquor tax programs	(2,343)	(2,508)
Net revenue	**$ 9,466**	$ 9,589

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 $31.84 per hectolitre and on flavoured cider production at $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 the period ended March 31, 2018, Big Rock received grant proceeds of $2,507 (2017 - $2,508) through the Alberta Small Brewers Development Grant Program of which $2,343 (2017 - $2,508) has been included in Provincial liquor tax programs charges. As at March 31, 2018, $806 (December 30, 2017 - $697) is reflected as deferred revenue and included in accounts payable and accrued liabilities.

(In thousands of Canadian dollars, unless otherwise stated)

4. COST OF SALES

	Three months ended March 31	
	2018	2017
Operating expenses	$ 3,171	$ 3,800
Salaries and benefits	1,728	1,553
Depreciation and amortization	673	612
Cost of sales	**$ 5,572**	$ 5,965

5. SELLING EXPENSES

	Three months ended March 31	
	2018	2017
Delivery and distribution costs	$ 886	$ 873
Salaries and benefits	1,132	931
Marketing and sales	1,097	1,491
Selling expenses	**$ 3,115**	$ 3,295

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31	
	2018	2017
Salaries and benefits	$ 544	$ 721
Professional fees	210	267
Other administrative expenses	411	379
General and administrative expenses	**$ 1,165**	$ 1,367

7. LOSS PER SHARE

	Three months ended March 31	
	2018	2017
Net loss	$ (387)	$ (907)
Basic:		
Shares outstanding, beginning of the period	6,981,628	6,875,928
Weighted average # of shares issued during the period	—	75,164
Basic # shares outstanding during the period	6,981,628	6,951,092
Effect of stock options outstanding	—	—
Diluted # shares outstanding during the period	6,981,628	6,951,092
Net loss per share:		
Basic	$ (0.06)	$ (0.13)
Diluted	$ (0.06)	$ (0.13)

(In thousands of Canadian dollars, unless otherwise stated)

8. 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.

As at	**March 31, 2018**	December 30, 2017
Provincial liquor boards	$ 2,269	$ 1,278
Other receivables	273	392
Bad debt provision	(43)	(24)
Total accounts receivable	**$ 2,499**	$ 1,646

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

As at	**March 31, 2018**	December 30, 2017
Less than 30 days	$ 1,820	$ 1,034
30 – 60 days	115	196
60-90 days	118	178
Over 90 days	446	238
Total accounts receivable	**$ 2,499**	$ 1,646

9. INVENTORIES

As at	**March 31, 2018**	December 30, 2017
Raw materials and containers	$ 1,652	$ 1,671
Brews in progress	1,168	1,104
Finished product	2,675	1,799
Consignment product	322	293
Retail store	100	119
Total inventories	**$ 5,917**	$ 4,986

During the three months ended March 31, 2018, charges of $125 (2017 - $203) were recorded to the Statements of Comprehensive Loss relating to obsolete inventories. There were no reversals of amounts previously charged to income in respect of inventory write-downs during the three months ended March 31, 2018 and 2017.

(In thousands of Canadian dollars, unless otherwise stated)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

As at	**March 31, 2018**	December 30, 2017
Less than 30 days	$ 3,592	$ 3,210
30 – 60 days	167	123
60 – 90 days	248	25
Over 90 days	211	115
Total accounts payable and accrued liabilities	**$ 4,218**	$ 3,473

11. BANK INDEBTEDNESS AND LONG-TERM DEBT

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

The facility imposes a number of positive and negative covenants on Big Rock, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a rolling 12-month fixed charge ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month earnings before interest, taxes and depreciation ("EBITDA") 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 March 31, 2018.

As at March 31, 2018, bank indebtedness was $1,414 (December 30, 2017 - $84), of which $340 (December 30, 2017 - nil) was outstanding on the operating loan facility.

As at	**March 31, 2018**	December 30, 2017
Term debt	$ 4,046	$ 4,181
Debt issue costs	(23)	(26)
	4,023	4,155
Current portion	(414)	(417)
Long term debt	**$ 3,609**	$ 3,738

(In thousands of Canadian dollars, unless otherwise stated)

12. FINANCE LEASE

As at	**March 31, 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	$ 438	$ 104	$ 334	$ 439	$ 110	$ 329
Between one and five years	1,959	196	1,763	2,067	219	1,848
	2,397	300	2,097	2,506	329	2,177
Reported as:						
Current portion			$ 334			$ 329
Long term portion			1,763			1,848
Present value of finance lease			$ 2,097			$ 2,177

On January 25, 2017, the Corporation converted its $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 into for contingent rental payments. As of March 31, 2018, the net carrying amount of the leased assets is $2,305 (December 30, 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.

13. LEASE INCENTIVE LIABILITY

At March 31, 2018, Big Rock had a lease incentive liability of $236 (December 30, 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.

14. SHARE-BASED PAYMENTS

Under the Share Appreciation Rights ("SARs") Plan, the Board of Directors may issue an unlimited number SARs.

14.1 Time Vesting SARs

The SARs are exercisable for five years after grant date and are settled in cash. SARs granted in 2017 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.

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

	March 31, 2018			December 30, 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	—	—		256,000	6.78	
Exercised	—	—		(36,000)	5.47	
Forfeited	(26,400)	9.46		(4,000)	7.75	
Expired	(33,500)	14.95		(67,000)	13.04	
Balance, end of period	516,000	8.87	2.89	575,900	9.25	2.96
Exercisable, end of period	403,981	9.37	2.53	407,887	10.27	2.38

(In thousands of Canadian dollars, unless otherwise stated)

14.2 Performance Vesting SARs

During the three months ended March 31, 2018, there were no performance vesting SARS issued. During the year ended December 30, 2017, 81,000 performance vesting SARs were granted at an exercise price of $6.50 per right 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 are exercisable at March 31, 2018.

15. SHARE OPTIONS

15.1 Time Vesting Options

Share options granted in 2017 and 2018 vest over five 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 Corporation's Share Option Plan:

As at	**March 31, 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	100,000	5.45		75,000	7.75	
Exercised	—	—		(105,700)	5.51	
Expired	—	—		(479,300)	12.89	
Balance, end of period	175,000	$ 6.44	4.72	75,000	$ 7.75	4.67
Exercisable, end of period	35,000	$ 6.44	4.72	15,000	$ 7.75	4.67

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

	2018	2017
Weighted average exercise price ($/share)	5.45	7.75
Weighted average fair value ($)	1.72	1.93
Risk-free interest rate (%)	1.93	1.56
Expected life (years)	3.6	3.6
Dividend yield (%)	0	0
Forfeiture rate (%)	0	0
Volatility (%)	39.1	35.6

15.2 Performance Options

During the three months ended March 31, 2018 there were no performance stock options granted. During the year ended December 30, 2017, 69,000 performance 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 are exercisable at March 31, 2018.

(In thousands of Canadian dollars, unless otherwise stated)

16. 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.

	March 31, 2018	December 30, 2017
Cash	$ (96)	$ (168)
Total debt	7,534	6,416
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,407	1,347
Accumulated deficit	(78,696)	(78,309)
Total shareholders' equity	36,556	36,883
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 43,994	$ 43,131

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) EBITDA to net debt (debt less cash) and (ii) EBITDA to interest, debt repayments and dividends. EBITDA to net debt 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.

17. CHANGE IN NON-CASH WORKING CAPITAL

	March 31, 2018	March 31, 2017
Accounts receivable	$ (853)	$ 28
Inventory	(931)	(669)
Current income taxes	—	(65)
Prepaid expenses	(130)	(193)
Accounts payable and accrued liabilities	745	(46)
Total change in non-cash working capital	**$ (1,169)**	$ (945)

18. 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: wholesale and retail. The wholesale segment manufactures and distributes beer and cider to and through, provincial liquor boards which is subsequently sold on to end consumers. This segment has similar production processes, types of customers and products that are shipped to customers rather than sold on-site. The retail segment sells beverages, food and merchandise to end consumers at premises owned and/or operated by the Corporation.

(In thousands of Canadian dollars, unless otherwise stated)

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

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

Profit by Segment

Three months ended March 31	Wholesale 2018	Wholesale 2017	Retail 2018	Retail 2017	Eliminations 2018	Eliminations 2017	Consolidated **2018**	Consolidated 2017
Net Revenue	$ 9,065	$ 9,056	$ 558	$ 668	$ (157)	$ (135)	$ 9,466	$ 9,589
Cost of sales	4,871	5,247	858	853	(157)	(135)	5,572	5,965
Gross profit	4,194	3,809	(300)	(185)	–	–	3,894	3,624
Selling expenses	3,105	3,262	10	33	–	–	3,115	3,295
Segment profit	**$ 1,089**	$ 547	**$ (310)**	$ (218)	**$ –**	**$ –**	**779**	329
General and administrative cost							1,165	1,367
Depreciation and amortization							119	119
Operating Loss							**(505)**	(1,157)
Finance expense							98	93
Other income (expense)							(20)	13
Loss before income taxes							**$ (623)**	$ (1,237)

19. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2018	2019	2020	2021	2022	thereafter
Utilities contracts	$ 30	$ 30	$ 30	$ 14	$ –	$ –
Raw material purchase commitments	2,430	59	14	4	–	–
Marketing sponsorships	335	214	105	–	–	–
Operating leases	711	691	755	763	774	1,272
Long-term debt	417	437	458	480	503	1,885
Finance lease	334	352	372	1,039	–	–
Total	**$ 4,257**	**$ 1,783**	**$ 1,734**	**$ 2,300**	**$ 1,277**	**$ 3,157**

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 $174 (2017 - $207) were recognized as expense in the Statement of Comprehensive Loss.

20. COMPARATIVE AMOUNTS

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

21. SUBSEQUENT EVENT

On April 19, 2018, the Corporation entered in a contractual joint venture arrangement ("the Arrangement") with Fireweed Brewing Corporation ("Fireweed") whereby Fireweed will operate and manage the Vancouver, British Columbia brewery. The Vancouver brewery is undergoing renovations to add brewing vessels and new canning lines which will expand the annual production capacity to 26,000 hectolitres. The effective date of the Arrangement is expected to be May 31, 2018, whereby subsequent to that date, operating results from the joint venture will be shared equally between the Corporation and Fireweed.