

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

	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Net revenue	3	\$ 13,764	\$ 12,399	\$ 36,757	\$ 35,484
Cost of sales	4	7,633	7,103	20,775	20,745
Gross profit		6,131	5,296	15,982	14,739
Expenses					
Selling expenses	5	3,650	4,216	10,447	11,415
General and administrative	6	1,610	1,123	4,460	4,041
Depreciation and amortization		124	116	360	353
Operating expenses		5,384	5,455	15,267	15,809
Operating profit (loss)		747	(159)	715	(1,070)
Finance expenses		69	78	237	265
Other income (loss)		4	2	(10)	152
Income (loss) before income taxes		682	(235)	468	(1,183)
Income tax expense (recovery)					
Current tax recovery		(51)	(26)	(71)	(142)
Deferred tax expense (recovery)		146	(30)	99	(162)
		95	(56)	28	(304)
Net income (loss) and comprehensive income (loss) for the period		\$ 587	\$ (179)	\$ 440	\$ (879)
Net income (loss) per share					
Basic and diluted	7	\$ 0.08	\$ (0.03)	\$ 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	September 30, 2018	December 30, 2017
ASSETS			
Current			
Cash		\$ 227	\$ 168
Accounts receivable	8	4,068	1,646
Inventories	9	6,141	4,986
Prepaid expenses and deposits		536	369
Current taxes receivable		-	156
		10,972	7,325
Non-current			
Property, plant and equipment		42,485	44,228
Intangible assets		537	566
		43,022	44,794
Total assets		\$ 53,994	\$ 52,119
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	11	\$ 1,229	\$ 84
Accounts payable and accrued liabilities	10	4,191	3,473
Long term debt - current	11	424	417
Finance lease - current	12	343	329
Share-based payments	14	482	599
		6,669	4,902
Non-current			
Long term debt	11	3,397	3,738
Finance lease	12	1,589	1,848
Lease incentive liability	13	252	228
Share-based payments	14	30	61
Deferred income taxes		4,558	4,459
		9,826	10,334
EQUITY			
Shareholders' capital		113,845	113,845
Contributed surplus	15	1,523	1,347
Accumulated deficit		(77,869)	(78,309)
		37,499	36,883
Total liabilities and shareholders' equity		\$ 53,994	\$ 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 September 30		Nine months ended September 30	
		2018	2017	2018	2017
OPERATING ACTIVITIES					
Net income (loss) for the period		\$ 587	\$ (179)	\$ 440	\$ (879)
Items not affecting cash:					
Depreciation and amortization		793	736	2,351	2,202
(Gain) loss on sale of assets		(47)	-	(29)	(133)
Share based payments		252	13	41	552
Lease incentive		8	13	24	39
Amortized debt issue costs		(4)	3	-	6
Deferred income tax expense (recovery)		146	(30)	99	(162)
		1,735	556	2,926	1,625
Net change in non-cash working capital related to operations	17	(2,171)	(1,552)	(2,883)	(3,216)
Cash provided by (used in) operating activities		(436)	(996)	43	(1,591)
FINANCING ACTIVITIES					
Increase (decrease) in bank indebtedness		972	1,876	1,145	1,973
Repayment of long term debt		(98)	(82)	(334)	(283)
Repayment of finance lease		(82)	(78)	(245)	(243)
Proceeds from exercised options		-	-	-	583
Cash provided (used in) by financing activities		792	1,716	566	2,030
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(202)	(572)	(572)	(1,078)
Purchase of intangibles		(42)	(129)	(119)	(306)
Proceeds from sale of property, plant and equipment		47	-	141	837
Cash provided by (used in) investing activities		(197)	(701)	(550)	(547)
Net increase (decrease) in cash		159	19	59	(108)
Cash, beginning of period		68	80	168	207
Cash, end of period		\$ 227	\$ 99	\$ 227	\$ 99

Supplemental cash-flow information

Cash interest paid	\$ 61	\$ 88	\$ 225	\$ 272
Cash taxes refund	\$ (206)	\$ (16)	\$ (226)	\$ (16)

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	—	—	176	—	176
Total comprehensive income	—	—	—	440	440
Balance as at September 30, 2018	6,981,628	\$ 113,845	\$ 1,523	\$ (77,869)	\$ 37,499

See accompanying notes to the condensed interim consolidated financial statements

BIG ROCK BREWERY INC.
Notes to the 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:

Entity	Registered	Holding	Functional Currency
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 November 1, 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.

BIG ROCK BREWERY INC.

Notes to the Interim Consolidated 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 September 30		Nine months ended September 30	
	2018	2017	2018	2017
Gross product revenues	\$ 18,825	\$ 18,089	\$ 50,257	\$ 50,618
Federal excise taxes	(1,660)	(1,926)	(4,358)	(4,844)
Provincial liquor tax programs	(3,401)	(3,764)	(9,142)	(10,290)
Net revenue	\$ 13,764	\$ 12,399	\$ 36,757	\$ 35,484

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 per hectolitre and on flavoured cider production at \$30.60 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 three and nine months ended September 30, 2018, Big Rock received grant proceeds of \$3,195 (2017 - \$2,263) and \$8,441 (2017 - \$7,884) respectively, through the Alberta Small Brewers Development Grant Program of which \$2,936 (2017 - \$3,113) and \$8,317 (2017 - 9,248), respectively, has been included in Provincial liquor tax programs charges. As at September 30, 2018, \$822 (December 30, 2017 - \$697) is reflected as deferred revenue and included in accounts payable and accrued liabilities.

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

4. COST OF SALES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2017	2017
Production and operating expenses	\$ 5,306	\$ 4,873	\$ 13,686	\$ 14,077
Salaries and benefits	1,658	1,610	5,098	4,819
Depreciation and amortization	669	620	1,991	1,849
Cost of sales	\$ 7,633	\$ 7,103	\$ 20,775	\$ 20,745

5. SELLING EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Delivery and distribution costs	\$ 1,000	\$ 1,083	\$ 2,913	\$ 3,038
Salaries and benefits	1,071	977	3,143	2,888
Marketing and selling	1,579	2,156	4,391	5,489
Selling expenses	\$ 3,650	\$ 4,216	\$ 10,447	\$ 11,415

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Salaries and benefits ⁽¹⁾	\$ 941	\$ 566	\$ 2,262	\$ 2,154
Professional fees	300	219	1,022	792
Office and administrative	369	338	1,176	1,095
General and administrative	\$ 1,610	\$ 1,123	\$ 4,460	\$ 4,041

⁽¹⁾ Salaries and benefits include a charge for share-based payments of \$252 (2017 - \$13) and \$41 (2017 - charge \$552) for the three and nine months ended September 30, 2018.

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

7. NET INCOME (LOSS) PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net income (loss) for the period	\$ 587	\$ (179)	\$ 440	\$ (879)
Shares outstanding, beginning of the period	6,981,628	6,981,628	6,981,628	6,875,928
Weighted average # of shares issued during the period	-	-	-	95,633
Basic # shares outstanding, end of period	6,981,628	6,981,628	6,981,628	6,971,561
Effect of stock options outstanding	-	-	-	-
Diluted # shares outstanding, end of period	6,981,628	6,981,628	6,981,628	6,971,561
Net income (loss) per share:				
Basic	\$ 0.08	\$ (0.03)	\$ 0.06	\$ (0.13)
Diluted	\$ 0.08	\$ (0.03)	\$ 0.06	\$ (0.13)

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	September 30, 2018	December 30, 2017
Provincial liquor boards	\$ 1,895	\$ 1,278
Other receivables	2,226	392
Bad debt provision	(53)	(24)
Total accounts receivable	\$ 4,068	\$ 1,646

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

As at	September 30, 2018	December 30, 2017
Less than 30 days	\$ 1,782	\$ 1,034
30 - 60 days	349	196
60-90 days	279	178
Over 90 days	1,658	238
Total accounts receivable	\$ 4,068	\$ 1,646

9. INVENTORIES

As at	September 30, 2018	December 30, 2017
Raw materials and containers	\$ 1,683	\$ 1,671
Brews in progress	1,175	1,104
Finished product	2,807	1,799
Consignment product	379	293
Retail store	97	119
Total inventories	\$ 6,141	\$ 4,986

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

During the three and nine months ended September 30, 2018, charges of \$191 (2017 - \$159) and \$350 (2017 - \$597), respectively, were recorded to the Statements of Comprehensive Income (Loss) relating to obsolete inventories. There were no reversals of amounts previously charged to income in respect of inventory write-downs during the three and nine months ended September 30, 2018 and 2017.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

As at	September 30, 2018	December 30, 2017
Less than 30 days	\$ 4,148	\$ 3,210
30 - 60 days	16	123
60 - 90 days	27	25
Over 90 days	-	115
Total accounts payable and accrued liabilities	\$ 4,191	\$ 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 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 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, depreciation and amortization ("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 September 30, 2018.

As at September 30, 2018, bank indebtedness was \$1,229 (December 30, 2017 - \$84), of which \$nil (December 30, 2017 - \$nil) was outstanding on the operating loan facility.

As at	September 30, 2018	December 30, 2017
Term debt	\$ 3,842	\$ 4,181
Debt issue costs	(21)	(26)
	3,821	4,155
Current portion	(424)	(417)
Long term debt	\$ 3,397	\$ 3,738

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

12. FINANCE LEASE

As at	September 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	\$ 439	\$ 96	\$ 343	\$ 439	\$ 110	\$ 329
Between one and five years	1,738	149	1,589	2,067	219	1,848
	2,177	245	1,932	2,506	329	2,177
Reported as:						
Current portion			\$ 343			\$ 329
Long term portion			1,589			1,848
Present value of finance lease			\$ 1,932			\$ 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 percent. Lease repayments are fixed, and no arrangements have been entered into for contingent rental payments. As of September 30, 2018, the net carrying amount of the leased assets is \$2,239 (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 September 30, 2018, Big Rock had a lease incentive liability of \$252 (December 30, 2017 - \$228) associated with the Corporation's building leases. Amortization is recorded on a straight-line basis over the terms 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 SARs plan:

As at	September 30, 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	166,350	5.07		256,000	6.78	
Exercised	(32,333)	5.09		(36,000)	5.47	
Forfeited	(232,967)	8.60		(4,000)	7.75	
Expired	(59,300)	14.98		(67,000)	13.04	
Balance, end of period	417,650	7.46	3.30	575,900	9.25	2.96
Exercisable, end of period	277,055	8.38	2.73	407,887	10.27	2.38

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

14.2 Performance Vesting SARs

There were no performance vesting SARs issued during the three and nine months ended September 30, 2018. 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 September 30, 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. 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	September 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	
Forfeited	—	—		(479,300)	12.89	
Balance, end of period	260,000	\$ 6.04	4.45	75,000	\$ 7.75	4.67
Exercisable, end of period	67,000	\$ 6.43	4.34	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)	5.36	7.75
Weighted average fair value (\$)	2.09	1.93
Risk-free interest rate (%)	2.09	1.56
Expected life (years)	4.2	3.6
Dividend yield (%)	0	0
Forfeiture rate (%)	0	0
Volatility (%)	39.8	35.6

15.2 Performance Options

There were no performance stock options granted during the three and nine months ended September 30, 2018. 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 September 30, 2018.

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

16. CAPITAL RISK MANAGEMENT

The Corporation defines its capital to include: common shares plus short-term debt, 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	September 30, 2018	December 30, 2017
Cash	\$ (227)	\$ (168)
Total debt	6,982	6,416
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,523	1,347
Accumulated deficit	(77,869)	(78,309)
Total shareholders' equity	37,499	36,883
Total capitalization (total debt plus shareholders' equity, net of cash balances)	\$ 44,254	\$ 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

As at	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Accounts receivable	\$ (535)	\$ (989)	\$ (2,422)	\$ (1,935)
Inventories	(245)	(125)	(1,155)	(957)
Prepaid expenses	38	592	(167)	(109)
Accounts payable and accrued liabilities	(1,585)	(958)	718	(27)
Current taxes receivable/payable	156	(10)	156	(126)
Share-based payment liabilities	148	(62)	135	(62)
Total change in non-cash working capital	\$ (2,023)	\$ (1,552)	\$ (2,735)	\$ (3,216)

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

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.

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 September 30	Wholesale		Retail		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Net Revenue	\$ 13,370	\$ 11,867	\$ 546	\$ 739	\$ (152)	\$ (207)	\$ 13,764	\$ 12,399
Cost of sales	7,003	6,524	782	785	(152)	(207)	7,633	7,103
Gross profit	6,367	5,343	(236)	(46)	—	—	6,131	5,296
Selling expenses	3,645	4,176	5	40	—	—	3,650	4,216
Segment profit	\$ 2,722	\$ 1,167	\$ (241)	\$ (86)	\$ —	\$ —	\$ 2,481	\$ 1,080
General and administrative cost							1,610	1,123
Depreciation and amortization							124	116
Operating income							747	(159)
Finance expense							69	78
Other income							4	2
Income (loss) before income taxes							\$ 682	\$ (235)

Nine months ended September 30	Wholesale		Retail		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Net Revenue	\$ 35,528	\$ 34,006	\$ 1,719	\$ 2,053	\$ (490)	\$ (575)	\$ 36,757	\$ 35,484
Cost of sales	18,796	18,770	2,469	2,550	(490)	(575)	20,775	20,745
Gross profit	16,732	15,236	(750)	(497)	—	—	15,982	14,739
Selling expenses	10,427	11,316	20	99	—	—	10,447	11,415
Segment profit	\$ 6,305	\$ 3,920	\$ (770)	\$ (596)	\$ —	\$ —	\$ 5,535	\$ 3,324
General and administrative cost							4,460	4,041
Depreciation and amortization							360	353
Operating loss							715	(1,070)
Finance expense							237	265
Other income (expense)							(10)	152
Income (loss) before income taxes							\$ 468	\$ (1,183)

BIG ROCK BREWERY INC.
Notes to the Interim Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

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	961	15	15	—	—	—
Marketing sponsorships	214	105	—	—	—	—
Operating leases	701	718	765	766	775	884
Long-term debt	434	454	477	499	523	1,448
Finance lease	343	362	382	845	—	—
Total	\$ 2,683	\$ 1,684	\$ 1,669	\$ 2,124	\$ 1,298	\$ 2,332

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 \$529 (2017 - \$550) were recognized as an expense in the Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2018.

20. COMPARATIVE AMOUNTS

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

21. SUBSEQUENT EVENT

On October 18, 2018 Big Rock announced that it has closed the amended transaction announced on July 23, 2018, to acquire certain brewing assets and inventory related to branded beer and cider from Fireweed Brewing Corp. (“Fireweed”) (the “Asset Acquisition”). The gross purchase price of the Asset Acquisition was approximately \$670,000, less amounts owed by Fireweed to Big Rock. The Asset Acquisition is also subject to a holdback for any post-closing adjustments.

As at closing, the parties entered into a license agreement which grants Big Rock exclusive rights to use the Fireweed’s trademarks and other intellectual property with an option to purchase Fireweed’s intellectual property outright. In addition, the parties entered into contract manufacturing agreements which permit Big Rock to exclusively manufacture all of the Fireweed branded products in BC and Alberta in return for a predetermined, volume-based fee.