March 13, 2019

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Big Rock Brewery Inc. and all information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality and has ensured consistency with the financial information presented elsewhere in Management's Discussion and Analysis.

To assist management in the discharge of these responsibilities, the Corporation has established an organizational structure that provides appropriate delegation of authority, division of responsibilities, and selection and training of properly qualified personnel. Management is also responsible for the development of internal controls over the financial reporting process.

The Board of Directors is assisted in exercising its responsibilities through the Audit Committee of the Board of Directors, which is composed entirely of independent directors. The Audit Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Ernst & Young LLP on behalf of the shareholders in accordance with generally accepted auditing standards. Their report outlines the nature of their audits and expresses their opinion on the consolidated financial statements.

(signed) *"Wayne Arsenault"*
Wayne Arsenault
President & Chief Executive Officer

(signed) *"Donald Sewell"*
Donald Sewell
Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Big Rock Brewery Inc.

Opinion

We have audited the accompanying consolidated financial statements of Big Rock Brewery Inc., which comprise the consolidated statements of financial position as at December 30, 2018 and 2017, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

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to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Ernst & Young LLP

Calgary, Canada

March 13, 2019

Chartered Professional Accountants

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

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

See accompanying notes to the consolidated financial statements

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

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

See accompanying notes to the consolidated financial statements

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

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

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

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

See accompanying notes to the consolidated financial statements

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

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

See accompanying notes to the consolidated financial statements

(In thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of presentation

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

2.3 Future accounting pronouncements

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

- Amendments to IFRS *2 Share-based payments* are effective for annual periods beginning on or after January 1, 2018. This standard is effective for Big Rock's fiscal year beginning on December 31, 2018. The amendments provide guidance on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Big Rock has determined that this will not have a material impact on its financial statements.

- IFRS 9 *Financial Instruments* has been amended, effective for annual periods beginning January 1, 2018. This standard will be effective for Big Rock's fiscal year beginning on December 31, 2018. The amended standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard requires classification of financial assets based on the reporting entity's business model objectives for managing those financial assets and the characteristics of the contractual cash flows. As a result, both the classification and measurement of certain financial assets may change. Additionally, for liabilities designated at fair value through profit and loss, fair value changes attributable to changes in credit risk will be presented through other comprehensive income instead of net income. These amendments introduce a single, forward – looking "expected loss" impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments. Big Rock will adopt IFRS 9 guidance and its related amendments as of December 31, 2018, applying the full retrospective approach to all its financial instruments. Based on management's comprehensive review of the standard, management has concluded that the adoption of IFRS 9 will not have a significant impact to its financial statements.

- IFRS 15 *Revenue from Contracts with Customers* has been issued which will be required to be adopted, with retrospective application, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard contains a single model that applies to revenue earned from contracts with customers and two approaches to recognizing revenue: at a point in time and over time. The model establishes a five-step analysis of transactions to revenues earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard also provides a model for the recognition and measurement of sales of certain non-financial assets such as disposals of property, plant, and equipment but does not apply to insurance contracts, financial instruments or lease contracts, which falls in the scope of other IFRS standards.

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

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

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

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

Early adoption of the above standards, amendment and interpretations is permitted. Other than the items noted above, the Corporation has not early adopted these; however, the Corporation is currently assessing what impact the application of IFRS 16 will have on the financial statements of the Corporation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments and estimates

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

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

Significant judgments

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

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

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

Assumptions and critical estimates

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

Property, plant and equipment
Calculation of the net book value of property, plant and equipment requires Big Rock to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology, are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the Consolidated Statements of Financial Position. A 10% decrease in useful lives of Big Rock's property, plant and equipment would result in an additional depreciation charge to net income of $316.

3.2 Revenue recognition

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

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

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

3.3 Government grants

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

3.4 Accounts receivable

The majority of Big Rock's accounts receivable are from provincial government liquor authorities which issue weekly or monthly remittances on account. Given that terms are set and receivables over 90 days generally average between five and ten percent of total amounts owing, the Corporation has a policy of reviewing, reconciling and, if necessary, writing off balances older than one year.

3.5 Inventories

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

Big Rock's inventories include: raw materials (materials and supplies to be consumed in the production process), brews in progress (in the process of production for sale), finished product held for sale in the ordinary course of business, consignment product which is consigned to provincial warehouses for sale and resale goods to be sold in the ordinary course of business in the dry-goods store.

3.6 Property, plant and equipment

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

(In thousands of Canadian dollars, unless otherwise stated)

Depreciation is provided at rates calculated to write-off the cost of PP&E, less their estimated residual value, using the straight-line method over the following expected useful lives:

Buildings	35-40 years
Machinery and equipment	5-40 years
Office furniture and equipment	5-15 years
Leasehold improvements	10-40 years

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

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

3.7 Intangible assets

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

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

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

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

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

3.8 Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statements of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, net of depreciation and amortization, had no impairment loss been recognized for the cash-generating unit in prior periods.

3.9 Share-based payments

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

Cash-settled transactions

Share-based compensation awards that settle in cash are accounted for as cash-settled plans and are measured at fair value each reporting period. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

The costs of cash-settled transactions with employees are initially measured by reference to the fair value at the date on which they are granted. The cumulative expense reflects the Corporation's best estimate of the difference between the grant price of the instrument and the price of the Corporation's shares at the date the instrument is ultimately exercised. When awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. At the end of each reporting period, the fair value of the instruments is remeasured to fair value, with a charge or credit to compensation expense within general and administrative expense on the Consolidated Statements of Comprehensive Income and a corresponding increase or decrease to the liability on the Consolidated Statements of Financial Position.

Equity-settled transactions

The Corporation has a share option plan (the "**Share Option Plan**") which permits the Board of Directors to grant options to acquire common shares of the Corporation ("**Common Shares**") at the volume weighted average closing price for the five trading days preceding the date of grant. The Corporation is authorized to issue options for a maximum of 10% of the issued and outstanding Common Shares pursuant to the Share Option Plan. Stock options that give the holder the right to purchase Common Shares are accounted for as equity-settled plans.

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

3.10 Taxation

Current income tax

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

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the Consolidated Statements of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the Consolidated Statements of Financial Position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the Consolidated Statements of Financial Position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

3.11 Keg deposits

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

3.12 Per share amounts

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

3.13 Financial instruments

3.13 (a) Financial assets

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

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

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

3.13 (b) Financial liabilities

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

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

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

3.13 (c) De-recognition of financial instruments

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

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

3.14 Impairment of financial instruments

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

3.15 Provisions

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

(In thousands of Canadian dollars, unless otherwise stated)

3.16 Leases

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

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

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

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

4. NET REVENUE

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

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

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

5. COST OF SALES

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

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

(In thousands of Canadian dollars, unless otherwise stated)

6. SELLING EXPENSES

Selling expenses include the following:

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

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

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

8. FINANCE EXPENSES

Finance expenses include the following:

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

9. INCOME TAXES

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

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

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

(In thousands of Canadian dollars, unless otherwise stated)

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

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

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

10. PER SHARE AMOUNTS

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

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

11. ACCOUNTS RECEIVABLE

The Corporation’s receivables arise from three main sources: trade receivables from the sale of beer and cider to provincial liquor boards, supplier rebates and other amounts. Other receivables include amounts due from sales to international customers, grocery and retail customers and GST balances. The solvency of customers and their ability to pay their receivables was considered in assessing the impairment of accounts receivable. No collateral is held for impaired receivables or for receivables that are past due but not impaired.

(In thousands of Canadian dollars, unless otherwise stated)

The accounts receivable balances are comprised of:

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

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

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

12. INVENTORIES

Inventories are categorized as follows:

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

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

(In thousands of Canadian dollars, unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

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

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

14. INTANGIBLE ASSETS

Intangible assets are broken down as follows:

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

(In thousands of Canadian dollars, unless otherwise stated)

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

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

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

16. BANK INDEBTEDNESS AND LONG-TERM DEBT

On December 30, 2016, Big Rock signed a commitment letter to revise the Corporation's bank debt. The Corporation has a $5 million revolving operating loan facility (the "**Operating Facility**") and a $6 million 5-year revolving term loan facility (the "**Term Debt**"). The Operating Facility is available for general operating purposes and funding capital expenditure requirements. The Term Debt is available to fund capital expenditures. Advances under both credit facilities may be made by way of Canadian prime rate loans and letters of credit. Interest is payable for prime-based loans under the Operating Facility at the financial institution's prime rate plus 0.75 and on the Term Debt at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable.

Both facilities mature after a term of 5 years and any undrawn amounts under the facilities will expire on March 23, 2021, if no extension has been granted. Collateral for these borrowings is a general assignment of Big Rock's assets.

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

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

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

(In thousands of Canadian dollars, unless otherwise stated)

17. LICENSE OBLIGATION

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

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

18. FINANCE LEASE

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

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

The lease agreement matures after a term of five years and the interest rate of 5.42% is fixed at the contract date. Lease repayments are fixed, and no arrangements have been entered into for contingent rental payments. As of December 30, 2018, the net carrying amount of the leased assets is $2,206 (2017 – $2,338). The depreciation of the assets recorded under finance lease is included in the cost of sales on the Consolidated Statements of Comprehensive Income. The obligation under finance lease is secured by the lessor’s rights over the leased assets.

19. LEASE INCENTIVE LIABILITY

At December 30, 2018, Big Rock had a lease incentive liability of $260 (2017 - $228) associated with the Corporation’s building leases. Amortization is recorded on a straight-line basis over the term of the leases and included in expenses.

20. SHARE CAPITAL

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

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

(In thousands of Canadian dollars, unless otherwise stated)

21. ACCUMULATED DEFICIT

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

22. SHARE-BASED PAYMENTS

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

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

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

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

22.1 Share Option Plan

22.1 (a) Time Vesting Options

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

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

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

(In thousands of Canadian dollars, unless otherwise stated)

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

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

22.1 (b) Performance Options

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

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

22.2 Share Appreciation Rights Plan

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

22.2 (a) Time Vesting SARs

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

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

(In thousands of Canadian dollars, unless otherwise stated)

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

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

22.2 (b) Performance SARs

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

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

23. CAPITAL RISK MANAGEMENT

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

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

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

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

24. FINANCIAL INSTRUMENTS

24.1 Fair value

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

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

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

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

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

24.2 Categories of financial instruments

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

(In thousands of Canadian dollars, unless otherwise stated)

Big Rock's financial instruments and their designations are:

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

24.3 Financial risk management objectives and policies

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

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

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

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

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

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

(In thousands of Canadian dollars, unless otherwise stated)

Interest rate sensitivity analysis
In the event interest rates changed by 75 basis points, the Corporation's net income for the year ended December 30, 2018 would be affected by $51 (2017 – $56). The sensitivity analysis assumes the change takes place at the beginning of the financial year and is held constant throughout the reporting period.

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

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

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

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

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

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

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

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

(In thousands of Canadian dollars, unless otherwise stated)

25. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

26. CHANGE IN NON-CASH WORKING CAPITAL

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

27. SEGMENTED INFORMATION

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

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

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

(In thousands of Canadian dollars, unless otherwise stated)

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

Profit by Segment

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

28. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

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

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

29. SIGNIFICANT TRANSACTION

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

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

30. COMPARATIVE AMOUNTS

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