

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

Three months ended March 31	Note	2019	2018
<b>Revenue</b>			
Net revenue	3	\$ 8,626	\$ 9,466
Cost of sales	4	6,346	5,572
Gross profit		2,280	3,894
<b>Expenses</b>			
Selling expenses	5	2,926	3,115
General and administrative	6	1,447	1,165
Depreciation and amortization		136	119
Operating expenses		4,509	4,399
Operating loss		(2,229)	(505)
Finance expenses		113	98
Other income (expense)		18	(20)
Loss before income taxes		(2,324)	(623)
Income tax expense (recovery)			
Current		471	(20)
Deferred		(1,074)	(216)
		(603)	(236)
<b>Net loss and comprehensive loss</b>		<b>\$ (1,721)</b>	<b>\$ (387)</b>
<b>Per share amounts</b>			
Basic and diluted	7	\$ (0.25)	\$ (0.06)

*See accompanying notes to the interim consolidated financial statements*

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

As at	Note	March 31, 2019	December 30, 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 50	\$ 1,902
Accounts receivable	8	3,371	3,384
Inventories	9	6,615	5,404
Prepaid expenses and deposits		563	488
		10,599	11,178
<b>Non-current</b>			
Property, plant and equipment		42,976	43,166
Intangible assets		2,374	2,396
		45,350	45,562
<b>Total assets</b>		<b>\$ 55,949</b>	<b>\$ 56,740</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Bank indebtedness	11	\$ 389	\$ 163
Accounts payable and accrued liabilities	10	6,115	4,682
Current taxes payable		920	449
Long term debt - current	11	410	409
License obligation - current	12	138	138
Finance lease - current	13	352	347
Share-based payments - current	15	448	433
		8,772	6,621
<b>Non-current</b>			
Long term debt	11	3,217	3,356
License obligation	12	1,578	1,582
Finance lease	13	1,411	1,500
Lease incentive liability	14	267	260
Share-based payments	15	62	45
Deferred income taxes		3,719	4,792
		10,254	11,535
<b>EQUITY</b>			
Shareholders' capital		113,845	113,845
Contributed surplus	15	1,638	1,578
Accumulated deficit		(78,560)	(76,839)
		36,923	38,584
<b>Total liabilities and shareholders' equity</b>		<b>\$ 55,949</b>	<b>\$ 56,740</b>
Commitments and contractual obligations	19		

*See accompanying notes to the interim consolidated financial statements*

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

Three months ended March 31	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (1,721)	\$ (387)
Items not affecting cash:			
Depreciation and amortization		820	792
Loss on sale of assets		5	32
Share-based payments	15	92	(276)
Lease incentive	14	7	8
Amortized debt issue costs		3	3
Deferred income tax recovery		(1,073)	(216)
		(1,867)	(44)
Net change in non-cash working capital related to operations	17	631	(1,169)
Cash used in operating activities		(1,236)	(1,213)
<b>FINANCING ACTIVITIES</b>			
Increase in bank indebtedness		226	1,330
Repayment of long-term debt		(145)	(135)
Repayment of finance lease		(84)	(80)
Cash provided by (used in) financing activities		(3)	1,115
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(570)	(29)
Purchase of intangibles		(44)	(25)
Proceeds from sale of property, plant and equipment		1	80
Cash provided by (used in) investing activities		(613)	26
<b>Net decrease in cash</b>		<b>(1,852)</b>	<b>(72)</b>
Cash, beginning of period		1,902	168
Cash, end of period		\$ 50	\$ 96
<b>Supplemental cash-flow information</b>			
Interest paid		\$ 86	\$ 96

*See accompanying notes to the interim consolidated financial statements*

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

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2017		\$ 113,845	\$ 1,347	\$ (77,199)	\$ 37,993
Share-based payments		—	231	—	231
Total comprehensive income		—	—	360	360
Balance as at December 30, 2018		113,845	1,578	(76,839)	38,584
Share-based payments	15	—	60	—	60
Total comprehensive loss		—	—	(1,721)	(1,721)
<b>Balance as at March 31, 2019</b>		<b>\$ 113,845</b>	<b>\$ 1,638</b>	<b>\$ (78,560)</b>	<b>\$ 36,923</b>

*See accompanying notes to the 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 - 76<sup>th</sup> 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:

<b>Subsidiary</b>	<b>Registered</b>	<b>Holding</b>	<b>Functional Currency</b>
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**

The Chartered Professional Accountants of Canada’s Handbook incorporates the International Financial Reporting Standards (“**IFRS**”) and publicly accountable enterprises, such as Big Rock, are required to apply such standards. These Financial Statements have been prepared in accordance with IFRS applicable to the presentation of interim financial statements and International Accounting Standards (“**IAS**”) 34, *Interim Financial Reporting*, as the accounting policies applied in these Financial Statements are based on IFRS as issued, outstanding and effective May 14, 2019.

Certain disclosures that are normally required to be included in the notes to the annual audited financial statements have been condensed or omitted. These Financial Statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 30, 2018.

These Financial Statements were approved and authorized for issue by the Board of Directors on May 14, 2019.

**2.2 Basis of presentation**

These Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business and have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. These Financial Statements are presented in Canadian dollars, which is also the functional currency, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

**2.3 Accounting pronouncements adopted**

The Corporation adopted the following accounting pronouncements effective December 31, 2018:

- Amendments to IFRS 2 *Share-based Payments* are effective for annual periods beginning on or after January 1, 2018. The amendments provide guidance on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of this standard did not have a material impact on the 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. 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 adopted IFRS 9 guidance and its related amendments applying the full retrospective approach to all its financial instruments. The adoption of this standard did not have a material impact on the 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 adopted this guidance and related amendments as of December 31, 2018, applying the modified retrospective approach to all contracts. Under this approach, the cumulative effect of initially applying IFRS 15 must be recognized as adjustment to the opening deficit at the date of initial adoption and comparatives are not restated. 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 did not have a significant impact to recording of revenues.

However, the adoption of the standard resulted 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. The adoption of the standard resulted in a reduction of revenues and selling expenses by \$64 to \$8,626 and \$2,882 respectively, in the first quarter of adoption. Management also evaluated the impact of the adoption of the new standard on other revenue generating activities such as contract brewing and licensing arrangements, and concluded that there was no changes required.

On the implementation date, the cumulative effect of adopting the new standards to the opening deficit was \$nil.

#### 2.4 Future accounting pronouncements

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

**BIG ROCK BREWERY INC.**  
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*(In thousands of Canadian dollars, unless otherwise stated)*

**3. NET REVENUE**

Three months ended March 31	2019	2018
Gross product revenues	\$ 13,641	\$ 12,943
Federal excise taxes	(1,141)	(1,134)
Provincial liquor tax programs	(3,874)	(2,343)
<b>Net revenue</b>	<b>\$ 8,626</b>	<b>\$ 9,466</b>

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. During the period ended March 31, 2019, Big Rock received grant proceeds of \$nil (2018 - \$2,299) through the ASBD grant program of which \$nil (2018 - \$2,399) has been included in Provincial liquor tax programs charges.

**4. COST OF SALES**

Three months ended March 31	2019	2018
Operating expenses	\$ 4,068	\$ 3,171
Salaries and benefits	1,594	1,728
Depreciation and amortization	684	673
<b>Cost of sales</b>	<b>\$ 6,346</b>	<b>\$ 5,572</b>

**5. SELLING EXPENSES**

Three months ended March 31	2019	2018
Delivery and distribution costs	\$ 826	\$ 886
Salaries and benefits	1,015	1,133
Marketing and sales	1,085	1,096
<b>Selling expenses</b>	<b>\$ 2,926</b>	<b>\$ 3,115</b>

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

Three months ended March 31	2019	2018
Salaries and benefits	\$ 884	\$ 544
Professional fees	224	210
Other administrative expenses	339	411
<b>General and administrative expenses</b>	<b>\$ 1,447</b>	<b>\$ 1,165</b>

**7. PER SHARE AMOUNTS**

Three months ended March 31	2019	2018
Net loss	\$ (1,721)	\$ (387)
Weighted average basic and diluted shares outstanding during the period	6,981,628	6,981,628
Per share amounts		
Basic and diluted	\$ (0.25)	\$ (0.06)

**BIG ROCK BREWERY INC.**  
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**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, government grants and GST balances. The solvency of customers and their ability to pay their receivables was considered in assessing the impairment of accounts receivable. No collateral is held for impaired receivables or for receivables that are past due but not impaired.

As at	March 31, 2019	December 30, 2018
Provincial liquor boards	\$ 2,878	\$ 3,149
Other receivables	492	279
Bad debt provision	1	(44)
<b>Total accounts receivable</b>	<b>\$ 3,371</b>	<b>\$ 3,384</b>

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

As at	March 31, 2019	December 30, 2018
Less than 30 days	\$ 1,798	\$ 2,635
30 - 60 days	259	173
60 - 90 days	199	278
Over 90 days	1,115	298
<b>Total accounts receivable</b>	<b>\$ 3,371</b>	<b>\$ 3,384</b>

**9. INVENTORIES**

As at	March 31, 2019	December 30, 2018
Raw materials and containers	\$ 1,750	\$ 1,608
Brews in progress	1,336	983
Finished product	2,760	2,245
Consignment product	684	475
Retail store	85	93
<b>Total inventories</b>	<b>\$ 6,615</b>	<b>\$ 5,404</b>

During the three months ended March 31, 2019, charges of \$178 (2018 - \$125) were recorded to the Interim Consolidated Statements of Comprehensive Loss relating to obsolete inventories. There were no reversals of amounts previously charged to loss in respect of inventory write-downs during the three months ended March 31, 2019 and income during the year ended December 30, 2018.

**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.



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

As at	March 31, 2019	December 30, 2018
Less than 30 days	\$ 4,575	\$ 4,442
30 - 60 days	1,287	136
60-90 days	153	47
Over 90 days	100	57
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 6,115</b>	<b>\$ 4,682</b>

## 11. BANK INDEBTEDNESS AND LONG-TERM 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 percent 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 March 31, 2019.

As at March 31, 2019, bank indebtedness was \$389 (December 30, 2018 - \$163), of which \$nil (December 30, 2018 - \$nil) was outstanding on the operating loan facility.

As at	March 31, 2019	December 30, 2018
Term debt	\$ 3,637	\$ 3,778
Debt issue costs	(10)	(13)
	3,627	3,765
Current portion	(410)	(409)
<b>Long term debt</b>	<b>\$ 3,217</b>	<b>\$ 3,356</b>

## 12. LICENSE OBLIGATION

As at	March 31, 2019	December 30, 2018
License obligation	\$ 1,716	\$ 1,720
Current portion	(138)	(138)
<b>License obligation</b>	<b>\$ 1,578</b>	<b>\$ 1,582</b>

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**13. FINANCE LEASE**

As at	March 31, 2019			December 30, 2018		
	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	\$ 87	\$ 352	\$ 443	\$ 96	\$ 347
Between one and five years	1,518	107	1,411	1,649	149	1,500
	1,957	194	1,763	2,092	245	1,847
Reported as:						
Current portion			\$ 352			\$ 347
Long term portion			1,411			1,500
<b>Present value of finance lease</b>			<b>\$ 1,763</b>			<b>\$ 1,847</b>

On January 25, 2017, the Corporation converted its \$2.5 million finance facility to a sale and leaseback arrangement. The lease agreement matures after a term of five years with a fixed interest rate of 5.42%. Lease repayments are fixed, and no arrangements have been entered into for contingent rental payments. As of March 31, 2019, the net carrying amount of the leased assets is \$2,174 (December 30, 2018 - \$2,206). The depreciation of the assets recorded under finance lease is included in the cost of sales on the Interim Consolidated Statements of Comprehensive Loss. The obligation under finance lease is secured by the lessor's rights over the leased assets.

**14. LEASE INCENTIVE LIABILITY**

At March 31, 2019, Big Rock had a lease incentive liability of \$267 (December 30, 2018 - \$260) 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.

**15. SHARE-BASED PAYMENTS**

**15.1 Share Option Plan**

**15.1 (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 Corporation's Share Option Plan:

As at	March 31, 2019			December 30, 2018		
	# of options	Weighted average exercise price (\$)	Remaining life (years)	# of options	Weighted average exercise price (\$)	Remaining life (years)
Balance, beginning of period	260,000	\$ 6.05		75,000	\$ 7.75	
Granted	—	—		185,000	5.36	
Balance, end of period	260,000	\$ 6.05	3.96	260,000	\$ 6.05	4.21
Exercisable, end of period	87,000	\$ 6.21	3.86	67,000	\$ 6.43	4.09

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

	2019	2018
Weighted average exercise price (\$/share)	6.05	5.36
Weighted average fair value (\$)	1.84	2.09
Risk-free interest rate (%)	1.52	2.09
Expected life (years)	4.06	4.23
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	35.49	39.80

**15.1 (b) Performance Options**

During the three months ended March 31, 2019 and the year ended December 30, 2018, there were no performance stock options granted. During the year ended December 30, 2017, 69,000 performance stock options were granted at an exercise price of \$6.50 per option and expire in five years. The options vest in tranches of one-third upon the closing price of the Corporation's shares equalling or exceeding \$8.50, \$10.50 and \$11.50 respectively. None of the options are exercisable at March 31, 2019.

**15.2 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.

**15.2 (a) Time Vesting SARs**

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

	March 31, 2019			December 30, 2018		
	# of SARs	Weighted average exercise price (\$)	Remaining life (years)	# of SARs	Weighted average exercise price (\$)	Remaining life (years)
As at						
Balance, beginning of period	406,802	7.50		575,900	9.25	
Granted	—	—		166,350	5.08	
Exercised	(1,266)	5.08		(37,445)	5.64	
Forfeited	—	—		(238,703)	8.55	
Expired	(28,300)	17.26		(59,300)	14.98	
Balance, end of period	377,236	6.78	2.98	406,802	7.50	3.02
Exercisable, end of period	268,053	7.29	2.50	270,611	8.44	2.45

**15.2 (b) Performance Vesting SARs**

During the three months ended March 31, 2019 and year ended December 30, 2018, there were no performance vesting SARs issued. During the year ended December 30, 2017, 81,000 performance vesting SARs were granted at an exercise price of \$6.50 per right and expire in five years. The SARs vest in tranches of one-third upon the closing price of the Corporation's shares equalling or exceeding \$8.50, \$10.50 and \$11.50 respectively. None of the SARs are exercisable at March 31, 2019.

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**16. CAPITAL RISK MANAGEMENT**

The Corporation defines its capital to include: Common Shares plus short-term, long-term debt, license obligation 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	March 31, 2019	December 30, 2018
Cash	\$ (50)	\$ (1,902)
Total debt	7,495	7,495
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,638	1,578
Accumulated deficit	(78,560)	(76,839)
Total shareholders' equity	36,923	38,584
Total capitalization (total debt plus shareholders' equity, net of cash balances)	\$ 44,368	\$ 44,177

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.

**17. CHANGE IN NON-CASH WORKING CAPITAL**

Three months ended March 31	2019	2018
Accounts receivable	\$ 13	\$ (853)
Inventories	(1,211)	(931)
Current taxes payable	471	—
Prepaid expenses and deposits	(75)	(130)
Accounts payable and accrued liabilities	1,433	745
Total change in non-cash working capital	\$ 631	\$ (1,169)

**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: 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.

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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 Interim Consolidated Financial Statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

**Profit by Segment**

Three months ended March 31	Wholesale		Retail		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Net Revenue	\$ 8,329	\$ 9,065	\$ 417	\$ 558	\$ (120)	\$ (157)	\$ 8,626	\$ 9,466
Cost of sales	5,732	4,871	734	858	(120)	(157)	6,346	5,572
Gross profit	2,597	4,194	(317)	(300)	—	—	2,280	3,894
Selling expenses	2,922	3,105	4	10	—	—	2,926	3,115
Segment profit	\$ (325)	\$ 1,089	\$ (321)	\$ (310)	\$ —	\$ —	(646)	779
General and administrative cost							1,447	1,165
Depreciation and amortization							136	119
Operating loss							(2,229)	(505)
Finance expense							113	98
Other income (expense)							18	(20)
Loss before income taxes							\$ (2,324)	\$ (623)

**19. 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	1,211	216	182	43	—	—
Marketing sponsorships	506	304	207	35	—	—
Operating leases	691	755	763	774	775	497
Long-term debt	416	440	464	490	517	545
License obligation	138	145	151	158	166	957
Finance lease	352	372	1,039	—	—	—
<b>Total</b>	<b>\$ 3,344</b>	<b>\$ 2,262</b>	<b>\$ 2,820</b>	<b>\$ 1,500</b>	<b>\$ 1,458</b>	<b>\$ 1,999</b>

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 \$191 (2018 - \$174) were recognized as expense in the Interim Consolidated Statements of Comprehensive Loss.

**20. COMPARATIVE AMOUNTS**

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