

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

		Three months ended June 30		Six months ended June 30	
	Note	2019	2018	2019	2018
Net revenue	3	\$ 13,299	\$ 13,527	\$ 21,925	\$ 22,993
Cost of sales	4	9,246	7,570	15,592	13,142
Gross profit		4,053	5,957	6,333	9,851
<b>Expenses</b>					
Selling expenses	5	2,928	3,682	5,854	6,797
General and administrative	6	1,486	1,685	2,933	2,850
Depreciation and amortization		134	117	270	236
Operating expenses		4,548	5,484	9,057	9,883
Operating profit (loss)		(495)	473	(2,724)	(32)
Finance expenses		102	70	215	168
Other income (loss)		4	6	22	(14)
Income (loss) before income taxes		(593)	409	(2,917)	(214)
<b>Income tax expense (recovery)</b>					
Current tax recovery		(406)	—	65	(20)
Deferred tax expense (recovery)		(484)	169	(1,558)	(47)
		(890)	169	(1,493)	(67)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 297</b>	<b>\$ 240</b>	<b>\$ (1,424)</b>	<b>\$ (147)</b>
<b>Per share amounts</b>					
Basic	7	\$ 0.04	\$ 0.03	\$ (0.20)	\$ (0.02)
Diluted	7	\$ 0.04	\$ 0.03	\$ (0.20)	\$ (0.02)

*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	June 30, 2019	December 30, 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 163	\$ 1,902
Accounts receivable	8	3,776	3,384
Inventories	9	6,472	5,404
Prepaid expenses and deposits		660	488
		11,071	11,178
<b>Non-current</b>			
Property, plant and equipment		42,326	43,166
Intangible assets		2,364	2,396
		44,690	45,562
<b>Total assets</b>		<b>\$ 55,761</b>	<b>\$ 56,740</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Bank indebtedness	11, 21	\$ 1,218	\$ 163
Accounts payable and accrued liabilities	10	6,354	4,682
Current taxes payable		180	449
Long term debt - current	11, 21	3,534	409
License obligation - current	12	139	138
Finance lease - current	13	357	347
Share-based payments - current	15	290	433
		12,072	6,621
<b>Non-current</b>			
Long term debt	11, 21	—	3,356
License obligation	12	1,568	1,582
Finance lease	13	1,320	1,500
Lease incentive liability	14	273	260
Share-based payments	15	39	45
Deferred income taxes		3,234	4,792
		6,434	11,535
<b>EQUITY</b>			
Shareholders' capital		113,845	113,845
Contributed surplus	15	1,673	1,578
Accumulated deficit		(78,263)	(76,839)
		37,255	38,584
<b>Total liabilities and shareholders' equity</b>		<b>\$ 55,761</b>	<b>\$ 56,740</b>
Commitments and contractual obligations	19		
Subsequent events	21		

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)*

	Note	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>					
Net income (loss) for the period		\$ 297	\$ 240	\$ (1,424)	\$ (147)
Items not affecting cash:					
Depreciation and amortization		826	766	1,646	1,558
(Gain) loss on sale of assets		—	(14)	5	18
Share based payments		(132)	65	(40)	(211)
Lease incentive		6	8	13	16
Amortized debt issue costs		2	1	5	4
Deferred income tax expense (recovery)		(485)	169	(1,558)	(47)
		514	1,235	(1,353)	1,191
Net change in non-cash working capital related to operations	17	(874)	457	(243)	(712)
<b>Cash provided by (used in) operating activities</b>		<b>(360)</b>	<b>1,692</b>	<b>(1,596)</b>	<b>479</b>
<b>FINANCING ACTIVITIES</b>					
Increase (decrease) in bank indebtedness		829	(1,157)	1,055	173
Repayment of long-term debt		(104)	(101)	(249)	(236)
Repayment of finance lease		(86)	(83)	(170)	(163)
<b>Cash provided (used in) by financing activities</b>		<b>639</b>	<b>(1,341)</b>	<b>636</b>	<b>(226)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(110)	(341)	(680)	(370)
Purchase of intangibles		(56)	(52)	(100)	(77)
Proceeds from sale of property, plant and equipment		—	14	1	94
<b>Cash provided by (used in) investing activities</b>		<b>(166)</b>	<b>(379)</b>	<b>(779)</b>	<b>(353)</b>
<b>Net increase (decrease) in cash</b>		<b>113</b>	<b>(28)</b>	<b>(1,739)</b>	<b>(100)</b>
Cash, beginning of period		50	96	1,902	168
<b>Cash, end of period</b>		<b>\$ 163</b>	<b>\$ 68</b>	<b>\$ 163</b>	<b>\$ 68</b>
<b>Supplemental cash-flow information</b>					
Cash interest paid		\$ 61	\$ 68	\$ 147	\$ 164
Cash taxes paid		\$ 334	\$ —	\$ 334	\$ —

*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	# Common Shares	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2017		6,981,628	\$ 113,845	\$ 1,347	\$ (77,199)	\$ 37,993
Share-based payments		—	—	231	—	231
Total comprehensive income		—	—	—	360	360
Balance as at December 30, 2018		6,981,628	113,845	1,578	(76,839)	38,584
Share-based payments	15	—	—	95	—	95
Total comprehensive income		—	—	—	(1,424)	(1,424)
<b>Balance as at June 30, 2019</b>		<b>6,981,628</b>	<b>\$ 113,845</b>	<b>\$ 1,673</b>	<b>\$ (78,263)</b>	<b>\$ 37,255</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 ciders 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 of its wholly owned subsidiaries. Subsidiaries are those enterprises controlled by the Corporation. The following companies have been consolidated within 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 August 1, 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 August 1, 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 an 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 (Loss). The adoption of the standard resulted in a reduction of revenues and selling expenses by \$98 to \$21,925 and \$5,854 in the first six months of adoption, respectively. Management also evaluated the impact of the adoption of the new standard on other revenue generating activities such as contract manufacturing and licensing arrangements and concluded that there were no changes required.

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

- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, with the cancellation of the Alberta Small Brewery Development ("ASBD") grant program, effective December 16, 2018, the Corporation now recognizes a government grant in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Corporation will comply with the conditions attached to it. Grants that compensate the Corporation for expenses incurred are recognized as reduction of associated operating expenses on a systematic basis in the same periods in which the expenses are incurred.

**BIG ROCK BREWERY INC.**  
**Notes to the Interim Consolidated Financial Statements**  
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**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.

**3. NET REVENUE**

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Gross product revenues	\$ 20,502	\$ 18,489	\$ 34,143	\$ 31,432
Federal excise taxes	(1,740)	(1,564)	(2,881)	(2,698)
Provincial liquor tax programs	(5,463)	(3,398)	(9,337)	(5,741)
<b>Net revenue</b>	<b>\$ 13,299</b>	<b>\$ 13,527</b>	<b>\$ 21,925</b>	<b>\$ 22,993</b>

Gross product revenues include the sale of wholesale beer, cider and licensed alcoholic beverages, retail store and restaurant sales and can sourcing for a third party. Net revenue includes gross revenues less federal excise taxes and provincial liquor tax charges. Federal excise taxes are assessed on world-wide production of beer at tiered rates up to \$33.06 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 three and six months ended June 30, 2019, Big Rock received grant proceeds of \$nil (2018 - \$2,739) and \$nil (2018 - \$5,246), respectively, through the Alberta Small Brewers Development Grant Program of which \$nil (2018 - \$2,983) and \$nil (2018 - \$5,381), respectively, has been included in provincial liquor tax programs charges.

**4. COST OF SALES**

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Operating expenses	\$ 7,019	\$ 5,210	\$ 11,087	\$ 8,380
Salaries and benefits	1,534	1,711	3,128	3,440
Depreciation and amortization	693	649	1,377	1,322
<b>Cost of sales</b>	<b>\$ 9,246</b>	<b>\$ 7,570</b>	<b>\$ 15,592</b>	<b>\$ 13,142</b>

**5. SELLING EXPENSES**

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Delivery and distribution costs	\$ 1,058	\$ 1,027	\$ 1,884	\$ 1,913
Salaries and benefits	942	940	1,957	2,072
Marketing and selling expenses	928	1,715	2,013	2,812
<b>Selling expenses</b>	<b>\$ 2,928</b>	<b>\$ 3,682</b>	<b>\$ 5,854</b>	<b>\$ 6,797</b>

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

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Salaries and benefits	\$ 977	\$ 777	\$ 1,861	\$ 1,321
Professional fees	154	512	378	722
Office and administrative	355	396	694	807
<b>General and administrative</b>	<b>\$ 1,486</b>	<b>\$ 1,685</b>	<b>\$ 2,933</b>	<b>\$ 2,850</b>

During the three and six months ended June 30, 2019, Big Rock recorded \$458 (2018 - \$nil) and \$458 (2018 - \$nil) in relation to its restructuring activities.

**7. PER SHARE AMOUNTS**

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Net income (loss)	\$ 297	\$ 240	\$ (1,424)	\$ (147)
Shares outstanding, beginning and end of period	6,981,628	6,981,628	6,981,628	6,981,628
Effect of stock options outstanding	37,124	—	—	—
Diluted number of shares outstanding, end of period	7,018,752	6,981,628	6,981,628	6,981,628
Per share amounts				
Basic	\$ 0.04	\$ 0.03	\$ (0.20)	\$ (0.02)
Diluted	\$ 0.04	\$ 0.03	\$ (0.20)	\$ (0.02)

**8. ACCOUNTS RECEIVABLE**

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

As at	June 30, 2019	December 30, 2018
Provincial liquor boards	\$ 2,562	\$ 3,149
Other receivables	1,214	279
Bad debt provision	—	(44)
<b>Total accounts receivable</b>	<b>\$ 3,776</b>	<b>\$ 3,384</b>

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

As at	June 30, 2019	December 30, 2018
Less than 30 days	\$ 1,986	\$ 2,635
30 - 60 days	573	173
60 - 90 days	68	278
Over 90 days	1,149	298
<b>Total accounts receivable</b>	<b>\$ 3,776</b>	<b>\$ 3,384</b>



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

**9. INVENTORIES**

As at	June 30, 2019	December 30, 2018
Raw materials and containers	\$ 1,734	\$ 1,608
Brews in progress	1,352	983
Finished product	2,530	2,245
Consignment product	757	475
Retail store	99	93
<b>Total inventories</b>	<b>\$ 6,472</b>	<b>\$ 5,404</b>

During the three and six months ended June 30, 2019, charges of \$126 (2018 - \$34) and \$304 (2018 - \$159), respectively, were recorded to the Interim Consolidated Statements of Comprehensive Income (Loss) relating to obsolete inventories. There were no reversals of amounts previously charged to income in respect of inventory write-downs during the three and six months ended June 30, 2019 and 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.

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

As at	June 30, 2019	December 30, 2018
Less than 30 days	\$ 5,897	\$ 4,442
30 - 60 days	281	136
60 - 90 days	105	47
Over 90 days	71	57
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 6,354</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 Facility"). The Operating Facility is available for general operating purposes and funding capital expenditure requirements. The Term Facility is available to fund capital expenditures. Advances under both credit facilities may be made by way of Canadian prime rate loans and letters of credit. Interest is payable for prime-based loans under the Operating Facility at the financial institution's prime rate plus 0.75 percent and on the Term Facility at the financial institution's prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable.

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

The facilities impose a number of positive and negative financial 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 violation of its financial covenants as at June 30, 2019 and accordingly all of the outstanding balance on the Term Facility has been classified as being current (refer to Note 21 Subsequent Event).

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

As at June 30, 2019, bank indebtedness was \$1,218 (December 30, 2018 - \$163), of which \$270 (December 30, 2018 - \$nil) was outstanding on the operating loan facility.

As at	June 30, 2019	December 30, 2018
Term debt	\$ 3,542	\$ 3,778
Debt issue costs	(8)	(13)
	3,534	3,765
Current portion	(3,534)	(409)
<b>Long term debt</b>	<b>\$ —</b>	<b>\$ 3,356</b>

**12. LICENSE OBLIGATION**

As at	June 30, 2019	December 30, 2018
License obligation	\$ 1,707	\$ 1,720
Current portion	(139)	(138)
<b>License obligation</b>	<b>\$ 1,568</b>	<b>\$ 1,582</b>

**13. FINANCE LEASE**

As at	June 30, 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	\$ 444	\$ 87	\$ 357	\$ 443	\$ 96	\$ 347
Between one and five years	1,427	107	1,320	1,649	149	1,500
	1,871	194	1,677	2,092	245	1,847
Reported as:						
Current portion			\$ 357			\$ 347
Long term portion			1,320			1,500
<b>Present value of finance lease</b>			<b>\$ 1,677</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 June 30, 2019, the net carrying amount of the leased assets is \$2,141 (December 30, 2018 - \$2,206). The depreciation of the assets recorded under the finance lease is included in the cost of sales on the Consolidated Statements of Comprehensive Loss. The obligation under finance lease is secured by the lessor's rights over the leased assets.

**14. LEASE INCENTIVE LIABILITY**

At June 30, 2019, Big Rock had a lease incentive liability of \$273 (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 after 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	June 30, 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	25,000	6.75		185,000	5.36	
Balance, end of period	285,000	6.11	3.81	260,000	6.05	4.21
Exercisable, end of period	92,000	6.24	3.68	67,000	6.43	4.09

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

	June 30, 2019	December 30, 2018
Weighted average exercise price (\$/share)	6.75	5.36
Weighted average fair value (\$)	2.78	2.09
Risk-free interest rate (%)	1.47	2.09
Expected life (years)	4.23	4.23
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	44.99	39.80

#### 15.1 (b) Performance Options

During the six months ended June 30, 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 per share, respectively. None of the options were exercisable at June 30, 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 after 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.

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

**15.2 (a) Time Vesting SARs**

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

As at	June 30, 2019			December 30, 2018		
	# of SARs	Weighted average exercise price (\$)	Remaining life (years)	# of SARs	Weighted average exercise price (\$)	Remaining life (years)
Balance, beginning of period	406,802	7.50		575,900	9.25	
Granted	—	—		166,350	5.08	
Exercised	(16,615)	5.21		(37,445)	5.64	
Forfeited	(28,300)	17.26		(238,703)	8.55	
Expired	—	—		(59,300)	14.98	
Balance, end of period	361,887	6.84	2.73	406,802	7.50	3.02
Exercisable, end of period	271,817	7.24	2.33	270,611	8.44	2.45

**15.2 (b) Performance Vesting SARs**

During the six months ended June 30, 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 per share, respectively. None of the SARs were exercisable at June 30, 2019.

**16. CAPITAL RISK MANAGEMENT**

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

As at	June 30, 2019	December 30, 2018
Cash	\$ (163)	\$ (1,902)
Total debt	8,136	7,495
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,673	1,578
Accumulated deficit	(78,263)	(76,839)
Total shareholders' equity	37,255	38,584
Total capitalization (total debt plus shareholders' equity, net of cash balances)	\$ 45,228	\$ 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, general industry conditions, and government policy changes.

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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 EBITDA by the combined interest, debt repayments and dividend amounts. 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 June 30		Six months ended June 30	
	2019	2018	2019	2018
Accounts receivable	\$ (405)	\$ (1,034)	\$ (392)	\$ (1,887)
Inventories	143	21	(1,068)	(910)
Prepaid expenses	(97)	(75)	(172)	(205)
Accounts payable and accrued liabilities	239	1,558	1,672	2,303
Current taxes receivable	(740)	—	(269)	—
Share-based payment liabilities	(14)	(13)	(14)	(13)
<b>Total change in non-cash working capital</b>	<b>\$ (874)</b>	<b>\$ 457</b>	<b>\$ (243)</b>	<b>\$ (712)</b>

**18. SEGMENTED INFORMATION**

For management purposes, the Corporation is organized into operating segments based on its products, services, location and distribution methods. Ten operating segments have been identified. These segments have been aggregated into two reportable segments: wholesale and retail. The wholesale segment manufactures and distributes beer, cider and licensed alcoholic beverages to and through, provincial liquor boards which is subsequently sold on to end consumers. This segment has similar production processes, types of customers and products that are shipped to customers rather than sold on-site. The retail segment sells beverages, food and merchandise to end consumers at premises owned and/or operated by the Corporation.

Executive management monitors the results of its operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated on a number of measures, the most significant being profit or loss, which is measured consistently with the definition of profit or loss in the 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 June 30	Wholesale		Retail		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Net Revenue	\$ 12,862	\$ 13,093	\$ 578	\$ 615	\$ (141)	\$ (181)	\$ 13,299	\$ 13,527
Cost of sales	8,701	6,922	686	829	(141)	(181)	9,246	7,570
Gross profit	4,161	6,171	(108)	(214)	—	—	4,053	5,957
Selling expenses	2,926	3,677	2	5	—	—	2,928	3,682
Segment profit	\$ 1,235	\$ 2,494	\$ (110)	\$ (219)	\$ —	\$ —	1,125	2,275
General and administrative cost							1,486	1,685
Depreciation and amortization							134	117
Operating income (loss)							(495)	473
Finance expense							102	70
Other income (expense)							4	6
<b>Income (loss) before income taxes</b>							<b>\$ (593)</b>	<b>\$ 409</b>

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*(In thousands of Canadian dollars, unless otherwise stated)*

Six months ended June 30	Wholesale		Retail		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Net Revenue	\$ 21,191	\$ 22,158	\$ 995	\$ 1,173	\$ (261)	\$ (338)	\$ 21,925	\$ 22,993
Cost of sales	14,433	11,793	1,420	1,687	(261)	(338)	15,592	13,142
Gross profit	6,758	10,365	(425)	(514)	—	—	6,333	9,851
Selling expenses	5,848	6,782	6	15	—	—	5,854	6,797
Segment profit	\$ 910	\$ 3,583	\$ (431)	\$ (529)	\$ —	\$ —	479	3,054
General and administrative cost							2,933	2,850
Depreciation and amortization							270	236
Operating income (loss)							(2,724)	(32)
Finance expense							215	168
Other income (expense)							22	(14)
Income (loss) before income taxes							\$ (2,917)	\$ (214)

**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	870	215	171	—	—	—
Marketing sponsorships	304	207	35	—	—	—
Operating leases	702	763	764	775	704	374
Long-term debt	3,534	—	—	—	—	—
License obligation	139	145	152	159	166	946
Finance lease	357	377	943	—	—	—
<b>Total</b>	<b>\$ 5,936</b>	<b>\$ 1,737</b>	<b>\$ 2,079</b>	<b>\$ 934</b>	<b>\$ 870</b>	<b>\$ 1,320</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 \$357 (2018 - \$351) were recognized as expense in the Statement of Comprehensive Income (Loss) for the six months ended June 30, 2019.

As at June 30, 2019, the Corporation was in breach of lending covenants and accordingly, the term debt has been classified as being current (refer to Note 21 Subsequent Event).

**20. COMPARATIVE AMOUNTS**

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

**21. SUBSEQUENT EVENTS**

On July 16, 2019, Big Rock's borrowing base was reconfirmed by its lender at \$11 million, comprised of a \$5 million revolving Operating Facility and a \$6 million 5-year revolving Term Facility, with the maturity dates being extended to May 23, 2021 with an option for extension. On August 1, 2019, the Corporation's lender waived the financial covenants under its credit facilities until and including June 30, 2020.