QUARTERLY REPORT

SECOND QUARTER 2019 HIGHLIGHTS

$000, except sales volumes & per share amounts	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Sales volumes (hectolitres or "hl")[1]	48,900	56,012	83,875	96,823
Gross revenue	$ 20,502	$ 18,489	$ 34,143	$ 31,432
Net revenue	13,299	13,527	21,925	22,993
EBITDA[2]	335	1,245	(1,056)	1,512
Operating income (loss)	(495)	473	(2,724)	(32)
Net income (loss)	297	240	(1,424)	(147)
Income (loss) per share (basic and diluted)	$ 0.04	$ 0.03	$ (0.20)	$ (0.02)

(1) Excludes contract manufacturing volumes due to the nature of the agreements. The Corporation began contract manufacturing in 2018.
(2) Non-GAAP Measure. See "*Non-GAAP Measures*".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Big Rock Brewery Inc. (the "**Corporation**" or "**Big Rock**") for the three and six months ended June 30, 2019 and 2018.

This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Corporation and accompanying notes as at and for the three and six months ended June 30, 2019 (the "**Financial Statements**") and the December 30, 2018 audited consolidated financial statements and MD&A. The financial statements have been prepared using International Financial Reporting Standards ("**IFRS**") and all amounts are reported in thousands of Canadian dollars unless otherwise noted. Additional information about the Corporation, including the Annual Information Form for the year ended December 30, 2018, can be found on SEDAR at www.sedar.com and on Big Rock's corporate website at www.bigrockbeer.com. Readers should also read the section "Forward-Looking Information" contained at the end of this document. This MD&A is dated August 1, 2019.

CORPORATE PROFILE

Big Rock is headquartered in Calgary, Alberta. The Corporation produces premium, all-natural craft beers, ciders and other alcoholic beverages. As one of Canada's largest independently owned craft brewer, Big Rock has an extensive family of permanent ales and lagers, the Rock Creek series of craft ciders, a continually changing selection of seasonal and limited-edition beers and other licensed alcoholic beverages.

Founded in 1985, Big Rock was the first craft brewery in Alberta and stands out as a pioneer in the Canadian craft beer industry. Big Rock produces, markets and distributes its premium high-quality specialty craft beers and ciders primarily in Canada. The Corporation owns and operates production facilities in Alberta, British Columbia ("**BC**") and Ontario. Today, Big Rock's primary brewing, packaging and warehousing facility is located in Calgary, Alberta and has been in operation since 1996. Big Rock has distribution facilities in Calgary and Edmonton, and sales staff resident in Alberta, BC, Saskatchewan, Manitoba and Ontario.

In April 2015, Big Rock opened a brewery and eatery in Vancouver, BC's thriving downtown craft beer district. This combined brewery and brewpub serves on-premise consumers and provides distribution for Big Rock's products throughout BC. During the fall of 2016, Big Rock opened a third brewery and tasting room in Etobicoke, Ontario, and on February 1, 2017, a fourth location was opened in Toronto, Ontario in the Liberty Village area, and is operated as Liberty Commons at Big Rock Brewery tasting room and restaurant.

Given the Corporation's footprint in Western Canada, the Corporation also has several co-packaging arrangements through private label agreements, and most recently, in 2018, co-manufacturing agreements.

INDUSTRY TRENDS AND INDICATORS

The craft beer industry continues to be a highly competitive market in Canada, as new craft breweries continue to enter the marketplace, particularly in Alberta. Since 2014, the Corporation estimates that over 95 new craft breweries have entered the market in Alberta alone. However, this growth in new craft breweries in Alberta has begun to slow over the last twelve months likely as a result of market saturation. Despite increased competitive pressures, Big Rock continues to be the leading craft brand in Alberta and continues to find success as a pioneer of the Canadian craft beer industry, as it has for the last 34 years.

During the second quarter of 2019, the Corporation entered the Ready-to-Drink ("**RTD**") category through the licensing and subsequent launch of Iconic Brewing Co.'s brands. This initiative is consistent with Canadian consumer trends towards healthier product offerings and is consistent with the Corporation's long-term strategy to diversify its sales by both volume type and geography.

In late 2018, the former Government of Alberta announced the elimination of grants within the Alberta Small Brewery Development ("**ASBD**") program and a graduated net beer tax system for Alberta producers of less than 50,000 hectolitres per year. The impact of the ASBD grant elimination resulted in a 104% increase in the net Alberta beer taxes (provincial tax) for the Corporation's beer sales volumes in the province. In response to this, the Corporation pursued significant price increases across all beer offerings and small cost cutting initiatives across operations.

Prior to the recent provincial general election in Alberta, the Corporation had received a signed grant letter from the former Minister of Agriculture and Forestry, subject to definitive documentation, that would allow the Corporation to continue to execute its 2019 plan and pursue its near and long-term growth plans. On May 13, 2019, the Corporation received notice from the new Minister of Agriculture and Forestry of Alberta that it would not be receiving the financial support outlined in the grant letter. In response to this change, Big Rock has subsequently taken significant cost cutting measures to reduce its operating losses it would have otherwise incurred in the current high beer tax environment in Alberta for brewers of its size. The Corporation continues to work with the Government of Alberta to amend the beer tax policy to provide brewers in Alberta a predictable and sustainable regulatory environment that supports growth in the province. Should the current beer tax environment persist, Big Rock will consider further cost cutting measures to ensure its profitability and growth.

Despite the beer tax headwinds that Big Rock is currently facing in Alberta, the Corporation continues to grow its gross revenues through diversifying its revenue sources. Big Rock has experienced declines in sales volumes year-over-year due to increased competition and increased pricing required in the current beer tax environment, however, continues to increase its asset utilization through contract manufacturing and licensing agreements while lowering sales, marketing and general and administrative costs.

In addition, with the use of recreational cannabis being legalized in Canada on October 17, 2018, and the expected legalization of cannabis edibles expected in Fall 2019, the Corporation continues to evaluate the market and opportunities within the cannabis sector. Despite the legalization of recreational cannabis, the Corporation has not experienced a negative impact in its current markets to-date. However, the Corporation believes that the recreational cannabis industry may pose market share risk on the craft beer industry over time, particularly once the variance in offerings for consumption widens and the consumer experience becomes more controlled.

SELECTED QUARTERLY FINANCIAL INFORMATION

Big Rock experiences seasonal fluctuations in volumes, net sales revenue and net income with the second and third quarters typically being stronger than the first and fourth quarters. These seasonal variations are dependent on numerous factors, including weather, timing of community events, consumer behaviour, customer activity and overall industry dynamics, mainly in Western Canada. The selected quarterly information is consistent with these industry trends. The following is a summary of selected financial information of the Corporation for the last eight completed quarters:

	2019		2018				2017	
($000, except hl and per share amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volumes (hl) [(1)]	48,900	34,975	49,013	55,741	56,012	40,811	46,788	56,823
Net revenue	13,299	8,626	11,991	13,764	13,527	9,466	11,089	12,399
EBITDA[(2)]	335	(1,391)	1,058	1,563	1,245	267	623	579
Operating profit (loss)	(495)	(2,229)	199	747	473	(505)	33	(159)
Net income (loss)	297	(1,721)	(82)	587	240	(387)	(141)	(179)
Per share amounts (basic & diluted)	$ 0.04	$ (0.25)	$ (0.01)	$ 0.08	$ 0.04	$ (0.06)	$ (0.02)	$ (0.03)
$ Per hl Amounts								
Net revenue	271.96	246.63	244.65	246.93	241.50	231.95	237.01	218.20
Cost of sales	189.08	181.44	146.10	136.94	135.15	136.53	148.14	125.00
Selling expenses	59.88	83.66	63.55	65.48	65.74	76.33	61.45	74.19
General & administrative	30.39	41.37	27.58	28.88	30.08	28.55	24.22	19.76
Operating profit (loss)	(10.12)	(63.73)	4.06	13.40	8.44	(12.37)	0.71	(2.80)
Net income (loss)	6.07	(49.21)	(1.67)	10.53	4.28	(9.48)	(3.01)	(3.15)

(1) Excludes contract manufacturing volumes due to the nature of the agreements. The Corporation began contract manufacturing in 2018.

(2) Non-GAAP Measure. See "*Non-GAAP Measures*".

RESULTS OF OPERATIONS

Big Rock reported a net income of $297 and a net loss of $1,424 for the three and six months ended June 30, 2019, respectively, compared to a net income of $240 and a net loss of $147 in the same periods in 2018. Big Rock's operating loss of $495 and $2,724 for the three and six months ended June 30, 2019 increased by $968 and $2,692, compared to operating income of $473 and operating loss of $32 for the same periods in 2018 due to the increase in the Alberta net beer taxes (provincial tax) in late 2018. The increase in provincial liquor tax program costs (and impact on net revenue) was $2,065 and $3,596 for the three and six month periods ended June 30, 2019 versus the same periods in 2018.

Management implemented cost cutting measures in the second quarter of 2019 and incurred a one-time restructuring charge of $458 (2018 - $nil) and $458 (2018 - $nil) for the three and six month periods ended June 30, 2019 in order to reduce the Corporation's operating losses in the current Alberta beer tax environment.

SEGMENTED INFORMATION

Big Rock has two reportable business segments, wholesale and retail, which are monitored by management for purposes of making decisions about resource allocation and performance assessment. The wholesale segment manufactures and distributes beer and cider to provincial liquor boards, grocery chains, and on-premise customers, which is subsequently sold to end consumers. The retail segment sells beverages, food and merchandise to end consumers through premises owned and/or operated by the Corporation. Segment performance is evaluated on a number of measures, the most significant being gross profit net of selling expenses. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Corporation's operating assets and liabilities, general and administrative expenses, income taxes and capital expenditures are managed on a corporate basis.

For the three months ended 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							**4**	6
Income (loss) before income taxes							**$ (593)**	$ 409

For the 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)

Net Revenue

Net revenue includes wholesale beer, cider and alcoholic beverage sales, net of excise taxes and provincial government liquor taxes, contract manufacturing sales, retail restaurant and store sales from Big Rock's Alberta, BC and Ontario locations and can sourcing for a third party. Geographically, Alberta continued to represent the largest share of the Corporation's sales, followed by BC and Ontario.

($000, except volumes)	Three months ended June 30			Six months ended June 30		
	2019	2018	Change	2019	2018	Change
Sales volumes (hl)	48,900	56,012	(7,112)	83,875	96,823	(12,948)
Gross revenue	$ 20,502	$ 18,489	$ 2,013	$ 34,143	$ 31,432	$ 2,711
Federal excise taxes	(1,740)	(1,564)	(176)	(2,881)	(2,698)	(183)
Provincial liquor tax programs	(5,463)	(3,398)	(2,065)	(9,337)	(5,741)	(3,596)
Net revenue	$ 13,299	$ 13,527	$ (228)	$ 21,925	$ 22,993	$ (1,068)
Net revenue by segment						
Wholesale	$ 12,721	$ 12,912	$ (191)	$ 20,930	$ 21,820	$ (890)
Retail	578	615	(37)	995	1,173	(178)
Net revenue	$ 13,299	$ 13,527	$ (228)	$ 21,925	$ 22,993	$ (1,068)
$ per hl						
Wholesale net revenue	$ 260.14	$ 230.52	$ 29.62	$ 249.54	$ 225.36	$ 24.18

Sales volumes were 48,900 hl and 83,875 hl for the three and six months ended June 30, 2019, a decrease of 7,112 (12.7%) and 12,948 (13.4%), compared to similar periods in 2018. Net revenue was $13,299 and $21,925 for the three and six months ended June 30, 2019, a decrease of $228 (1.7%) and $1,068 (4.6%) compared to the same periods in 2018, due to increases in the Alberta beer taxes, which resulted in an increase in provincial liquor tax programs charges of $2,065 and $3,596, respectively, partially offset by pricing increases, an increase in contract manufacturing volumes and sourcing cans for a third party.

Gross revenue was $20,502 and $34,143 for the three and six months ended June 30, 2019, an increase of $2,013 (10.9%) and $2,711 (8.6%) compared to the prior year.

Wholesale Revenue

Wholesale net revenue decreased marginally to $12,721 and $20,930 for the three and six months ended June 30, 2019, compared to the prior year. Based on the ASBD per hectolitre grant rate received in the fourth quarter of 2018, the impact of the ASBD grant elimination was approximately $2.5 million and $4.3 million for the three and six months ended June 30, 2019.

Due to the ASBD grant program elimination and the subsequent increase in the net Alberta beer taxes for the Corporation, the Corporation was forced to pursue price increases in late 2018 and early 2019 resulting in sales volume declines year-over-year. Contract manufacturing production volumes continue to grow and mitigate sales volume declines as a result of price increases during the first half of 2019.

Retail Revenue

Retail net revenue was $578 and $995 for the three and six months ended June 30, 2019, a decrease of $37 (6.0%) and $178 (15.2%) compared to the same period in 2018, reflecting the impact of economic pressures on consumers, which affects retail and on-premise revenues.

Cost of Sales

Cost of sales was $9,246 and $15,592 for the three and six months ended June 30, 2019, an increase of $1,676 and $2,450 as compared to the same periods in 2018.

Cost of sales represent 69.5% and 71.1% of net revenue, an increase of 13.6% and 14.0%, compared to the same periods in 2018, as a result of net revenue declining due to the increase in the net Alberta beer taxes for the Corporation.

Selling Expenses

Selling expenses decreased for the three and six months ended June 30, 2019 by $754 and $943, respectively, compared to the same period in 2018 as described below:

- Delivery and distribution costs marginally increased by $31 and decreased by $29 for the three and six months ended June 30, 2019, compared to same periods in 2018, due to overall cost efficiencies gained by producing at the Calgary facility partially offset by distributing at larger distances, despite the decline in sales volumes.

- Salaries and benefits costs marginally increased by $3 for the three months ended and decreased by $115 for six months ended June 30, 2019.

- Marketing and sales costs decreased by $788 and $799 for the three and six months ended June 30, 2019 mainly due to cost cutting initiatives carried out during the second quarter.

Selling expenses were 22.0% and 26.7% of net revenue in the three and six month periods ended June 30, 2019, versus 27.2% and 29.6% in the same periods in 2018.

General and Administrative Expenses

General and administrative expenses decreased by $199 (11.8%) to $1,486 and increased by $83 (2.9%) to $2,933 for the three and six months ended June 30, 2019 compared to the same periods in the prior year, primarily due to cost cutting initiatives implemented during the quarter and the restructuring costs associated with the initiatives.

General and administrative expenses were 11.2% and 13.4% of net revenue in the three and six month periods ended June 30, 2019, versus 12.5% and 12.4% in the same periods in 2018.

Restructuring Costs

The Corporation incurred restructuring cost of $458 and $458 for the three and six months ended June 30, 2019, as compared to $nil and $nil for the same periods in 2018. The restructuring cost has been recorded in general and administrative expenses and was a result of cost-cutting initiatives implemented by management in response to the persisting high beer taxes in Alberta for the Corporation.

Finance Expenses

Finance expenses increased by $32 to $102 and by $47 to $215 for the three and six month periods ended June 30, 2019, respectively, as compared to the same period in 2018, due to servicing of the license obligation from the Fireweed Transaction (as defined below).

Depreciation and Amortization

Depreciation and amortization expense was $826 and $1,646 in the three and six month periods ended June 30, 2019, versus $766 and $1,558, in the same period in 2018. The increases are mainly due to the purchase and installation of the assets acquired pursuant to the Fireweed Transaction.

Other Income

Other income was $4 and $22 in the three and six month periods ended June 30, 2019, compared to income of $6 and expense of $14 during the same periods in 2018.

Income Taxes

Current income tax recovery of $406 and expense of $65 were recorded for the three and six months ended June 30, 2019, versus a recovery of $nil and $20 in the same periods in 2018. They reflect expected taxes recoverable arising from the transitional provisions on the taxation of partnership deferral structures and carry back of losses to offset income in the prior periods. Deferred tax recovery of $484 and $1,558 were recorded for the three months and six months ended June 30, 2019.

The deferred income tax provision differs from the statutory rate of 26.65% (2018 – 27.07%) due to permanent differences between the carrying amounts of assets and liabilities for accounting purposes and the tax basis, as well as the effect of non-deductible amounts.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Statements of Financial Position from December 30, 2018 to June 30, 2019:

($000, unless otherwise stated)	**Increase/ (Decrease)**	**Primary factors explaining change**
Accounts receivable	392	Increase due to summer sales increase
Inventories	1,068	Increase in brew in progress and finished goods inventory due to timing of production and seasonality
Prepaid expenses & deposits	172	Increase in community sponsorships and summer events
Property, plant & equipment	(840)	Decrease due to depreciation offset by new plant additions
Intangible assets	(32)	Decrease due to full amortization of certain intangible assets
Bank indebtedness	1,055	Increase due to outstanding cheques related to seasonality
Accounts payable & accrued liabilities	1,672	Increase consistent with the increase in inventories related to seasonality
Current income taxes	(269)	Decrease due to loss carry back applied to 2017 income
Share-based payments	(149)	Decreased due to reduced share price effecting SARs valuation, offset by amortization of share options
Long term debt & finance lease	(401)	Net repayment of term loans and finance leases
License obligation	(13)	Net repayment of license obligation based on Fireweed branded product sales
Lease incentive	13	Amortization of lease incentive
Deferred income taxes	(1,558)	Tax effect of changes in temporary differences

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

As at ($000, unless otherwise stated)	June 30, 2019	December 30, 2018
Cash	$ (163)	$ (1,902)
Total debt[2]	6,429	5,775
Net debt	6,266	3,873
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)[1]	$ 43,521	$ 42,457
Net debt to total capitalization ratio[1]	14.4%	9.1%

(1) Non-GAAP measure. See "*Non-GAAP Measures*".
(2) Includes bank indebtedness, long term debt, and obligations under finance leases; excludes license obligations.

Capital Strategy

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

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

The Corporation had a working capital deficit of $1,001 at June 30, 2019, compared to a positive working capital position of $4,557 at December 30, 2018, due to the reclassification of term debt to current liabilities as the Corporation was in breach of its covenants at June 30, 2019. Subsequent to June 30, 2019, the Corporation received an amended commitment letter from its lender, waiving the Corporation's debt covenants until the third quarter of 2020.

As at June 30, 2019, the Corporation had total current assets and total current liabilities of $11,071 and $12,072, respectively, compared to $11,178 and $6,621, respectively, as at December 30, 2018. The decrease in current assets can be attributed to a decrease in the cash balances offset by an increase in inventory due to customer orders and new product launches. The increase in current liabilities can be attributed to an increase in the Corporation's accounts payable balance, primarily due to an increase in customer orders during the busy summer season, as well as classification of term debt being current.

Given the current tax environment for beer in Alberta, the Corporation has undergone significant cost reductions while the current Government of Alberta continues to evaluate establishing a new policy.

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

In addition, the Corporation monitors its capital using ratios of (i) net debt (debt less cash) to EBITDA and (ii) EBITDA to debt repayments, interest, income taxes and dividends paid ("Fixed Charges"). Net debt to EBITDA is calculated by dividing net debt by EBITDA and EBITDA to Fixed Charges is calculated by dividing the combined Fixed Charges by EBITDA.

The calculation of EBITDA is a non-GAAP measure, whose nearest GAAP measure is net income, or net loss as applicable, with the reconciliation between the two as follows:

($000)	Three months ended June 30			Six months ended June 30		
	2019	2018	Change	2019	2018	Change
Net income (loss)	$ 297	$ 240	$ 57	$ (1,424)	$ (147)	$ (1,277)
Add back:						
Interest	102	70	32	215	168	47
Taxes	(890)	169	(1,059)	(1,493)	(67)	(1,426)
Depreciation & amortization	826	766	60	1,646	1,558	88
EBITDA [1]	$ 335	$ 1,245	$ (910)	$ (1,056)	$ 1,512	$ (2,568)

[1] Non-GAAP measure. See "*Non-GAAP Measures*".

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

Cash Flows from Operating Activities

Cash used by operating activities for the three and six months ended June 30, 2019 totalled $360 and $1,596, a decrease of $2,052 and $2,075 compared to the same period last year, primarily due to seasonality and the elimination of the ASBD grant program.

Cash Flows from Financing Activities

Cash provided by financing activities for the three and six months ended June 30, 2019 increased by $1,980 and $862 compared with the same period in 2018 due to increase in bank indebtedness.

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 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. 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.

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)
Long term debt	**$ –**	$ 3,356

On October 18, 2018, the Corporation closed an asset purchase and licensing transaction with Fireweed Brewing Corp. (the "**Fireweed Transaction**"). As part of the license agreement entered into, the Corporation is to pay Fireweed a fee calculated based on sales volumes of Fireweed trademarked products, on a monthly basis, with a maturity date of December 31, 2024.

As at	June 30, 2019	December 30, 2018
License obligation	$ 1,707	$ 1,720
Current portion	(139)	(138)
License obligation	**$ 1,568**	$ 1,582

On January 25, 2017, Big Rock converted a $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 for contingent rental payments.

As at	June 30, 2019		December 30, 2018	
Current portion	$	357	$	347
Long term portion		1,320		1,500
Total finance lease	**$**	**1,667**	$	1,847

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 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.

Cash Flows from Investing Activities

During the three and six months period ended June 30, 2019, a total of $166 and $779 was spent on capital expenditures, compared to $379 and $353 for the same periods in 2018 mainly for installation of the assets acquired as part of the Fireweed Transaction.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	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		—		—		—
Total	**$**	**5,936**	**$**	**1,737**	**$**	**2,079**	**$**	**934**	**$**	**870**	**$**	**1,320**

Big Rock has entered into operating lease agreements for storage facilities, warehouses, breweries, and retail locations. The remaining lease terms range between four and ten years. Certain leases contain extension and renewal options. Operating lease payments of $357 were recognized as an expense in the Financial Statements for the six months ended June 30, 2019 (2018 - $351).

As at June 30, 2019, the Corporation was in violation of its financial covenants and accordingly, the Term Facility has been classified as being current (refer to Subsequent Event).

OFF BALANCE SHEET ARRANGEMENTS

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

SHAREHOLDERS' CAPITAL

Big Rock is authorized to issue an unlimited number of Common Shares with no par value. The Common Shares trade on the Toronto Stock Exchange under the symbol "BR". As at August 1, 2019, Big Rock had the following issued and outstanding:

- 6,981,628 Common Shares;
- 361,887 time-based share appreciation rights ("**SARs**");
- 81,000 market-performance SARs;
- 285,000 time-based options; and
- 69,000 market-performance options.

There were 25,000 options granted during the three months period ended June 30, 2019. There were no new time-based SARs granted during the same period.

The Board of Directors may issue an unlimited number of SARs under the SARs plan of the Corporation (the "**SARs Plan**"). SARs granted under the SARs Plan are exercisable for a period of up to five years from date of grant, at an exercise price that is equal to the weighted average price at which the Common Shares have traded during the five trading days immediately preceding the date of grant. The exercise of SARs is settled in cash.

Big Rock has granted stock options to certain officers and directors of the Corporation pursuant to the share option plan of the Corporation (the "**Share Option Plan**"). Options granted under the Share Option Plan are exercisable for a period of up to five years from date of grant, at an exercise price that is equal to the weighted average price at which the Common Shares have traded during the five trading days immediately preceding the date of grant.

On March 13, 2019, the Board approved the adoption by the Corporation of a restricted share unit ("**RSUs**") award plan (the "**RSU Plan**") which was subsequently approved by the Corporation's shareholders at its 2019 Annual General Meeting. The RSU Plan was established for purposes of compensating directors, officers, employees and consultants of the Corporation and its subsidiaries by allowing them to participate in the long-term success of the Corporation, thereby promoting a greater alignment of their interests with the interests of shareholders. The Corporation did not issue any RSUs during the second quarter of 2019.

See Note 15 to the Interim Consolidated Financial Statements for more detailed information.

SUBSEQUENT EVENTS

On July 16, 2019, Big Rock's borrowing base has been 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 also has waived the financial covenants under its credit facilities until and including June 30, 2020.

RISKS RELATED TO THE BUSINESS AND INDUSTRY

Big Rock operates in an environment that is both highly competitive and subject to significant government regulation. Due to the ongoing shifting effects of competition, the ability to predict future sales and profitability with any degree of certainty is limited. It is also difficult to anticipate changes in government regulation and legislation and the impact such changes might have on the Corporation's operations or financial results.

Premium beers from other craft breweries are continuously entering the market and the large national and multi-national brewers have products that compete directly with craft beers. In addition, there has been an increased number of imports being sold in the same markets where Big Rock competes for business.

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

Tax Risk

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

Each provincial authority has its own beer tax structure by which fees are levied on brewers' sales within that jurisdiction. These regulations may be changed from time to time, which may positively or negatively impact Big Rock's profitability.

The beer tax structure in Alberta has changed five times in the last six years, contributing to market uncertainty and has impacted Big Rock's results in a corresponding manner. In particular, changes announced by the Government of Alberta in July 2016 replaced the former graduated tax rate structure with a flat tax rate of $1.25 per litre and a grant program for Alberta small breweries. In June 2018, a Trade Review panel ordered that the Government of Alberta'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 Government of Alberta announced the cancellation of the ASBD grant program as of December 15, 2018 and a graduated net beer tax system for Alberta producers of less than 50,000 hectolitres per year. This change imposed a significant tax increase on Big Rock's sales volumes. The Corporation will continue to work to influence the Government of Alberta to establish a new policy that provides for a stable and predictable economic environment for breweries in Alberta of the Corporation's size.

As Alberta is the Corporation's predominant market, future changes to the Alberta beer taxes rate structure could have significant impacts on the Corporation's financial results. The Corporation will continue to assess and evaluate the longer-term implications of these recent changes and evaluate its long-term business plan in order to mitigate the risk of net beer tax rate structure fluctuations.

Financial Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

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

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors the Corporation's interest rate exposure and given the relatively low expected rate of change in prime interest rates believes the risk is immaterial. The Corporation 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 weighted average interest rate for the six months ended June 30, 2019 was 5.8% (2018 – 5.6%).

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Corporation incurring an economic loss. Big Rock has a concentration of credit risk as majority of its accounts receivable are from provincial liquor boards, which are governed under provincially regulated industry sale and payment terms. The Corporation is not exposed to significant credit risk as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. While much of Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period.

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.

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 of the Corporation and expects to have adequate sources of funding to finance the Corporation's operations.

The Corporation expects to rely on funding from the Government of Alberta to help fund its future operations, if the current provincial tax environment for beer persists. In the event the Corporation does not receive such funding or that future tax and/or regulatory policies of the Government of Alberta are not in the best interest of the Corporation and its shareholders, the Corporation may be forced to find other funding for its operations at the risk of Big Rock's operations becoming materially harmed.

Commodity Price Risk

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

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

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 14, 2019 that is available on www.sedar.com.

OUTLOOK & STRATEGY

The Corporation's operating results for the three and six month periods ended June 30, 2019 declined as compared to the same periods in 2018, reflecting the elimination of the ASBD grant program and the resulting increase in the net Alberta beer taxes for the Corporation, partially offset by price increases and cost cutting initiatives.

In 2019, the Corporation continues to focus on the following:

Tax Environment

Big Rock will continue to work with the Government of Alberta and the Alberta Gaming, Liquor and Cannabis Commission to establish a new beer tax rate framework that will allow for Big Rock to execute on its growth plans within the province in 2019 and long-term.

Maximizing Capacity Utilization of Assets

The Corporation will continue to pursue opportunities to maximize capacity utilization of its assets whether through organic growth of existing brands, introduction of new brands, license agreements, mergers and acquisitions and/or contract manufacturing agreements. Given the Corporation's footprint, especially in Alberta, management continues to evaluate new volume opportunities.

The Corporation will look to expand its cellar capacity in Calgary as new business is pursued, as this is the most significant bottleneck the Corporation faces in pursuing growth. Outside of cellar capacity, the Corporation is well positioned for significant growth given its brewing capacity, packaging and warehousing capacity, distribution network and sales force.

Organic Growth

Big Rock continues to monitor consumer trends in Canada in an effort to drive innovation in the craft beer and cider industry in Canada. In response to market research and consumer trends, Big Rock launched 5 new products in 2019: *Rock Creek Rosé Cider, Jackrabbit Light Lager, Big Rock Lager, Grasshopper with Lemon* and *the Darcy's Poolside Grapefruit Lager*.

Management continues to focus on growth of its signature brands and believes it is well positioned to achieve growth, despite the ever-increasing competition in the Canadian craft beer industry. The Corporation will continue to offer high quality seasonal brands in 2019, consistent with the high-quality traditions and practices behind its signature offerings.

Cannabis

In light of the planned legalization of cannabis-infused beverages expected in the fall of 2019, the Corporation has evaluated and will continue to evaluate opportunities in the cannabis space.

Cost Reductions

Management executed on a significant cost cutting plan during the second quarter of 2019 as a result of the persisting high Alberta beer taxes for Big Rock in the province.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three and six months ended June 30, 2019. Further information on the Corporation's critical accounting policies and estimates can be found in the notes to the audited annual financial statements and MD&A for the year ended December 30, 2018.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Corporation's consolidated financial statements as at and for the period ended June 30, 2019 have been prepared using the IFRS standards and interpretations currently issued. Accounting policies currently adopted under IFRS are subject to change as a result of new standards being issued with an effective date of December 31, 2018 or later. A change in an accounting policy used may result in material changes to Big Rock's reported financial position, results of operations and cash flows. The International Accounting Standard Board has issued the following pronouncement, which is not yet effective for Big Rock:

IFRS 16 *Leases* has been issued which will be required to be adopted effective for annual periods beginning on or after January 1, 2019, this standard will be effective for Big Rock 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 these standards or amendments will have on the financial statements of the Corporation.

DISCLOSURE CONTROLS AND PROCEDURES

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

The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO (in his own capacity and acting in the capacity of the CFO) has concluded that the Corporation's disclosure controls and procedures are effective as of June 30, 2019.

INTERNAL CONTROLS OVER FINANCIAL REPORTING UPDATE

The Corporation's management under the supervision of, and with the participation of, the CEO and CFO, has designed and implemented internal controls over financial reporting ("ICFR"), as defined under NI 52-109. The Corporation's management used as its framework the Internal Control—Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission.

The process used involved four steps as follows: establishment of a foundation, which involved assessing the tone at the top, the organization structure and baseline of current internal controls; design and execution, which involved prioritizing risk, identifying controls and evaluation of control effectiveness; assess and report, which involved summarizing and reporting on the findings; and conclusion on controls supported by documented evidence.

The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with GAAP, focusing in particular on controls over information contained in the annual and interim financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Corporation's controls over financial reporting for the year ended December 30, 2018, that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Based upon their evaluation of these controls as of June 30, 2019, the CEO and CFO have concluded that the Corporation's ICFR were effective as at that date. No material weaknesses existed within the Corporation's ICFR as of June 30, 2019. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

NON-GAAP MEASURES

The Corporation uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by Generally Accepted Accounting Principles ("**GAAP**"). These financial measures do not have any standardized meaning under the Corporations' Generally Accepted Accounting Principles and therefore may not be comparable to similar measures presented by other issuers. The following terms "total capitalization", "net debt", "net debt to total capitalization ratio", "EBITDA", "net debt to EBITDA", "EBITDA Fixed Charges", "working capital" are not recognized measures under GAAP and may not be comparable to that reported by other companies. Total capitalization is calculated by adding shareholders' equity, total debt and cash balances. EBITDA is calculated by adding back to net income, interest, income taxes and depreciation and amortization. Net debt to EBITDA is calculated by dividing EBITDA by net debt (debt less cash) and EBITDA to Fixed Charges is calculated by dividing the combined debt repayments, interest, income taxes and dividends paid amounts by EBITDA. Working capital is defined as current assets minus current liabilities. Management uses these non-GAAP measures to evaluate the Corporation's operating results. A reconciliation of EBITDA to net income (loss), the nearest GAAP measure, is contained under "Liquidity and Capital Resources – Capital Strategy". A reconciliation of total capitalization to cash, total debt and total shareholders' equity and a reconciliation of net debt to cash and total debt are provided under "Liquidity and Capital Resources – Capitalization".

In addition, the Corporation's lender uses EBITDA to Fixed Charges ratio to evaluate the Corporation's ongoing cash generating capability and to determine the amounts and rates at which the lender is willing to finance Big Rock. Management believes that, in addition to net income and cash flow from operating activities, these measures are useful supplemental measures as they provide an indication of Big Rock's operating performance and leverage.

Readers are cautioned that these measures should not be construed as an alternative to net income, cash flows from operating activities or other relevant GAAP measures as calculated under GAAP.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Corporation. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

All statements, other than statements of historical fact included in the MD&A, may be forward-looking information. Forward-looking information are not facts, but only expectations as to future events and generally can be identified by the use of statements that include words or phrases such as, "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "likely" "may", "project", "predict", "propose", "potential", "might", "plan", "seek", "should", "targeting", "will", and similar expressions. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that may cause Big Rock's actual results or events to differ materially from those anticipated in such forward-looking statements.

Big Rock believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. This MD&A contains forward-looking statements pertaining to the following:

- the Corporation's growth plans;
- the legalization of cannabis edibles and the Corporation's expectations and the resulting market in respect of the same;
- the anticipated results of the Corporation's continuing work with the Government of Alberta;
- expected sales volumes;
- the potential introduction of new permanent and seasonal brands;
- projections of market prices and costs;
- anticipated supply and demand of Big Rock's products;

- the Corporation's ability to maximize capacity utilization;
- the Corporation expanding its cellar capacity;
- the Corporation's ability to offer high quality seasonal brands;
- the impact of the distribution of Big Rock products to larger markets on the Corporation's sales volumes and profitability;
- the impact of recent changes in Alberta beer tax rate (provincial tax) and ability of the Corporation to offset consequential losses through cost-cutting initiatives;
- the expectation that the Corporation will need to or be able to rely on Government funding in the event that the current provincial tax environment for beer persists;
- the expected decline in growth in Alberta's craft brewing sector; and
- the anticipated impact of bringing Iconic Brewing Co.'s RTD offerings to Alberta and BC.

With respect to forward-looking statements listed above and contained in this MD&A, Big Rock has made assumptions regarding, among other things, the following:

- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- there will be no material change to the regulatory environment, including the net beer taxes and grant rates, in which Big Rock operates;
- there will be no supply issues with Big Rock's vendors; and
- the Corporation's ongoing discussions with the Government of Alberta with respect to the net beer taxes and grant program will be successful in effecting policy change and improving the net beer taxes and grant programs applicable to Big Rock.

Big Rock's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Corporation's 2018 Annual Information Form dated March 14, 2019 that is available on SEDAR at www.sedar.com. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Big Rock does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.