FIRST QUARTER 2020 HIGHLIGHTS

$000, except sales volumes and per share amounts	Three months ended March 31	
	2020	**2019**
Sales volumes (hectolitres or ("**hl**"))[1]	36,490	34,975
Gross revenue	$ 12,633	$ 13,641
Net revenue	8,928	8,626
EBITDA[2]	79	(1,391)
Operating loss	(921)	(2,229)
Net loss	(898)	(1,721)
Loss per share (basic & diluted)	$ (0.13)	$ (0.25)

(1) Excludes contract manufacturing volumes due to the nature of the agreements.
(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 quarters ended March 31, 2020 and 2019.

This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Corporation and accompanying notes as at and for the quarter ended March 31, 2020 (the "**Consolidated Financial Statements**") and the December 30, 2019 audited consolidated financial statements and MD&A. The Consolidated 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, 2019, 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 May 5, 2020.

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 brewers, 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 as a pioneer in the Canadian craft beer industry. Big Rock produces, markets and distributes its premium, high-quality 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 the Liberty Village area of Toronto, Ontario, 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 production agreements and licensing agreements.

COVID-19 UPDATE

Since the rapid onset of the COVID-19 pandemic in March, the Corporation has been impacted with a considerable level of uncertainty, volatility and overall risk during this unprecedented time. The health and safety of Big Rock's employees, customers, consumers and community have been and will continue to be the Corporation's first priority. The commitment and ingenuity of its employee base in navigating the new and ever-changing challenges that the COVID-19 pandemic has provided has been outstanding and despite the negative financial implications this environment has caused, management believes the non-cyclicality and resiliency of the Corporation's business model, its current financial position, and the support of its partners will carry the business through this social and economic crisis and ensure the safety and well-being of its employees.

Operations Update

The Corporation took immediate action in implementing extensive policies and procedures to protect its employees across all departments. In its production, packaging and warehousing facilities, Big Rock has implemented heightened measures including but not limited to the use of non-surgical masks and gloves, segregation of departments and facility use, enhanced quality control measures, restricted access to or suspension of all third party visits to its locations, daily communication and evaluation of recent developments and continued development of internal policies consistent with appropriate government healthcare body policies. In mid-March, the majority of non-manufacturing and distribution employees were transitioned and continue to work from home, indefinitely. Despite the temporary closure of all of its retail, restaurant and tap room locations, Big Rock has continued to support its customers and consumers through the production, sales and distribution of its high quality products while maintaining the majority of its employee base, in addition to its strong health benefit programs to support their health and well-being.

Liquidity Update

Despite the significant revenue decline of its on-premise business, management is confident that the Corporation's off-premise business, the support of its credit providers and the potential support of government programs will allow the Corporation to sustain its financial position and thrive if and when the economy rebounds. Management continues to monitor and evaluate sales, cash flow, government programs and new information and developments and has established preliminary business continuity plans should business risks heighten. However, Big Rock has not been forced to implement any major organizational changes thus far. The Corporation has received a three-month principal and interest payment deferral from its credit providers in addition to relief on lease payments from some of its lessors at retail and restaurant locations. The Corporation has $11 million in total credit facilities made up of a $5 million Operating Facility (as defined herein) and a $6 million Term Facility (as defined herein) of which an aggregate of $4.9 million was drawn at March 31, 2020. The Corporation's sole lender has expressed continued support of its business given the Corporation's current financial position, continued operations and strong working capital management through such uncertain times.

INDUSTRY TRENDS AND INDICATORS

Overall beer sales have continued to be under pressure in Canada, with Beer Canada estimating national beer sales down 3% in 2019. The decline can be attributed to several factors surrounding both global and local consumption, including but not limited to:

- the overall structural shift in consumer trends to 'better-for-you' and the corresponding rapid growth in hard seltzers and other comparative Ready-to-Drink ("**RTD**") alcoholic beverages over the last 3 years;
- the rapid growth in the number of brewing facilities in Canada over the last 5 years with an estimate of over 1,100 facilities in 2019, up ~13% year-over-year, and over 135 manufacturer/packaging licenses in Alberta, up over 250% since 2015;
- the low barriers to entry into beer, in Alberta especially, with now over 5,000 active beer stock keeping units ("**SKUs**") in Alberta or an increase of >65% since 2015;
- the volatility in government liquor policies, with the Alberta beer mark-up policy being amended 6 times over the last 6 years alone; and
- the recent social and economic global crisis developing globally as a result of the COVID-19 pandemic.

Despite these difficult market conditions, the Corporation achieved 4% growth in sales volumes in Q1 2020 versus Q1 2019 and continues to see a strong contribution from its contract manufacturing business. The growth in sales volumes in the quarter can be attributed to strong performance from the following:

- growth in the Corporation's series of Rock Creek ciders, primarily Dry Apple Cider, Rock Creek Rose Cider and the recent successful launch of Rock Creek Dry Light Apple Cider;
- growth in Bow Valley Lager and the successful re-launch of Bow Valley Strong;
- increased sales of the Corporation's licensed products, driven by its Cottage Springs vodka soda offerings in Alberta and British Columbia; and
- growth in the Corporation's private label business.

Big Rock's higher margin Signature series of beers continued to show underperformance in Q1 2020. The Corporation experienced a rebound in its gross margins in Q1 2020 primarily driven by the Alberta Gaming, Liquor and Cannabis Commission's ("**AGLC**") amendment of its beer mark-up policy in September 2019. Additionally, given the high operating leverage of its business model and its Calgary facility being shut down for two weeks in March for capital expenditure and initial production curtailments due to COVID-19 uncertainty, going forward, management believes the Corporation can achieve growth in its gross margins greater than its Q1 2020 results once the COVID-19 pandemic passes.

Given the Corporation's scale of assets, brewing and alcoholic beverage expertise, distribution network and sales force, management believes the Corporation is uniquely positioned to pursue and participate in growth categories within beverage alcohol, in Alberta especially. On March 27, 2020, the AGLC announced several amendments to the AGLC's liquor manufacturing policies, to allow manufacturers, including the Corporation, to pursue growth opportunities in the cider and RTD categories without impacting the profitability of their beer businesses. Management believes the amendments will support the growth of its contract manufacturing business near-term and provides significant opportunities for growth in sales long-term, however anticipates a negative impact on the profitability of its Rock Creek cider series beyond 2020. The Nielsen Company has estimated that hard seltzers cannibalized beer and other flavoured-malt beverages market share by 4% in the United States (the "**US**") in 2019 and is expecting this trend to grow as a wave of hard seltzers have been launched in 2020 by many of the large brewers at varied price points. Management believes the trend in the US is consistent with what they are seeing in Canada and believes the recent amendments to the AGLC's liquor manufacturing policies provides the Corporation the opportunity to participate in this growing category in alcohol, consistent with its licensing and subsequent launch of Iconic Brewing Company's brands, including Cottage Springs, in Alberta and BC in 2019.

Since the major onset of the COVID-19 pandemic in March, the Corporation has experienced several new challenges as social distancing and government restrictions have translated into loss of revenue from certain value streams as a result of closures of restaurants, bars and some retail outlets and a shift in consumption trends. Management continues to monitor its sales on a daily basis and shift its production and inventory to align with the ever-changing COVID-19 environment. Since mid-March 2020, the

Corporation has experienced increased sales in its off-premise business driven primarily by large pack-size, brands such as Alberta Genuine Draft, Big Rock large packs, value brands such as Bow Valley, and private label product sales to larger customer accounts, offset by declines in customer orders from smaller, independent stores. Despite the negative economic impact the Corporation has experienced from COVID-19, the Corporation is well positioned financially to navigate through this crisis near-term and provide it with new opportunities for growth when the economy rebounds.

SELECTED QUARTERLY FINANCIAL INFORMATION

Big Rock experiences seasonal fluctuations in sales volumes, net 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:

	2020	**2019**				2018		
($000, except hl and per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volumes (hl) [(1)]	36,490	37,361	50,327	48,900	34,975	49,013	55,741	56,012
Net revenue	8,928	9,539	11,189	13,299	8,626	11,991	13,764	13,527
EBITDA[(2)]	79	(645)	639	335	(1,391)	1,075	1,563	1,246
Operating (loss) profit	(921)	(1,615)	(761)	(495)	(2,229)	216	747	473
Net (loss) income	(898)	(1,297)	(201)	297	(1,721)	(80)	587	240
Per share amounts (basic & diluted)	$ (0.13)	$ (0.19)	$ (0.03)	$ 0.04	$ (0.25)	$ (0.01)	$ 0.08	$ 0.04
$ Per hl Amounts[(1)]								
Net revenue	244.67	255.32	222.33	271.96	246.63	244.65	246.93	241.50
Cost of sales	160.40	201.04	143.34	189.08	181.44	146.10	136.94	135.15
Selling expenses	69.91	62.47	62.77	59.88	83.66	63.55	65.48	65.72
General & administrative	33.00	31.56	28.69	30.39	41.37	27.24	28.88	30.08
Operating (loss) profit	(25.24)	(43.23)	(15.12)	(10.12)	(63.73)	4.41	13.40	8.46
Net (loss) income	(24.61)	(34.71)	(3.99)	6.07	(49.21)	(1.63)	10.53	4.30

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

RESULTS OF OPERATIONS

Big Rock reported a net loss of $898 for the first quarter of 2020 compared to a net loss of $1,721 in the first quarter of 2019. Big Rock's operating loss of $921, for the quarter ended March 31, 2020 decreased by $1,308 (58.7%), compared to an operating loss of $2,229 during the same period in 2019, primarily driven by the AGLC beer mark-up policy in September 2019.

SEGMENTED INFORMATION

Big Rock has two reportable business segments, wholesale and retail, which are monitored by executive management for purposes of making decisions about resource allocation and performance management. The wholesale segment manufactures and distributes beer, cider, and other alcoholic beverages to provincial liquor boards, grocery chains, and on-premise customers which are 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.

SEGMENTED RESULTS

For the three months ended March 31

	Wholesale		Retail		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Net Revenue	$ 8,649	$ 8,329	$ 400	$ 417	$ (121)	$ (120)	$ 8,928	$ 8,626
Cost of sales	5,336	5,732	638	734	(121)	(120)	5,853	6,346
Gross profit	3,313	2,597	(238)	(317)	–	–	3,075	2,280
Selling expenses	2,551	2,922	–	4	–	–	2,551	2,926
Segment profit (loss)	$ 762	$ (325)	$ (238)	$ (321)	$ –	$ –	$ 524	(646)
General & administrative costs							1,204	1,447
Depreciation & amortization							241	136
Operating loss							(921)	(2,229)
Finance expense							160	113
Other income							1	18
Loss before income taxes							$ (1,080)	$ (2,324)

Net Revenue

Net revenue includes wholesale beer, cider and alcoholic beverage sales, net of excise taxes and provincial government liquor taxes, contract manufacturing revenues, retail restaurant and store sales from Big Rock's Alberta, BC and Ontario locations. Geographically, Alberta continued to represent the largest share of the Corporation's sales in 2020, followed by BC and Ontario.

($000, except sales volumes)	Three months ended March 31		
	2020	2019	Change
Sales volumes (hl)	36,490	34,975	1,515
Gross revenue	$ 12,633	$ 13,641	$ (1,008)
Federal excise taxes	(1,322)	(1,141)	(181)
Provincial liquor tax programs	(2,383)	(3,874)	1,491
Net revenue	$ 8,928	$ 8,626	$ 302
Net revenue by segment			
Wholesale	$ 8,528	$ 8,209	$ 319
Retail	400	417	(17)
Net revenue	$ 8,928	$ 8,626	$ 302
$ per hl			
Wholesale net revenue	$ 233.71	$ 234.71	$ (1.00)

Sales volumes were 36,490 hl for the three month period ended March 31, 2020, an increase of 1,515 (4.3%), compared to 34,975 hl reported in the same period of 2019. Net revenue was $8,928, an increase of $302 (3.5%) for the quarter ended March 31, 2020 compared to the same period in 2019.

Gross revenue was $12,633 for the quarter ended March 31, 2020, a decrease of $1,008 (7.4%) compared to the first quarter of 2019.

Wholesale Revenue

Wholesale net revenue and volumes increased by $319 (3.9%) and 1,515 hl (4.3%), for the three month period ended March 31, 2020, compared to the same period 2019 driven by an increase in private label and value brand sales volumes.

Retail Revenue

Retail net revenue decreased by $17 (4.1%) for the quarter ended March 31, 2020, compared to the same period in 2019, reflecting the closure of Big Rock's retail locations due to COVID-19 health restrictions effective March 17, 2020. Online retail sales were launched in all regions following physical location closures.

Cost of Sales

Cost of sales was $5,853 for the three month period ended March 31, 2020, a decrease of $493 as compared to the same period in 2019. Cost of sales represented 65.6% of net revenue, a decrease of 8.0% from 73.6% in the same period in 2019, primarily as result of the AGLC beer mark-up policy amendment in September 2019 offset by production downtime of two weeks in March for the execution of capital expenditure plans.

Selling Expenses

Selling expenses decreased for the three month period ended March 31, 2020 by $375 compared to the same period in 2019 as detailed below:

- delivery and distribution costs decreased by $50 due to the reduction of in-bound freight costs;
- salaries and benefits costs decreased by $67 as a result of cost cutting initiatives implemented during the second quarter of 2019 offset by sales team hiring and bonus accruals; and
- marketing and sales costs decreased by $258 as a result of continued cost management following the cost cutting initiatives implemented during the second quarter of 2019.

Selling expenses were 28.6% of net revenue in the three month period ended March 31, 2020, versus 33.9% in the same period in 2019.

General and Administrative Expenses

General and administrative expenses decreased by $243 to $1,204 for the three month period ended March 31, 2020, as compared to the same period in 2019, primarily due to a decrease in salaries and benefits costs of $257 driven by the cost cutting initiatives implemented during the second quarter of 2019.

General and administrative expenses were 13.5% of net revenue in the three month period ended March 31, 2020, versus 16.8% in the same period in 2019.

Finance Expenses

Finance expenses increased in the three month period ended March 31, 2020, by $47 to $160, as compared to the same period in 2019 due to the initial application of IFRS 16 on December 31, 2019 and the recording of finance expenses on additional lease liabilities recognized.

Depreciation and Amortization

Depreciation and amortization expenses were $999 in the three month period ended March 31, 2020, compared to $820 in the same period in 2019 due to the initial application of IFRS 16 on December 31, 2019 and the recording of depreciation expense on right-of-use assets recognized.

Other Income

Other income was $1 for the three month period ended March 31, 2020, compared to $18 for the same period in 2019.

Income Taxes

Current income tax recovery of $336 and an income tax expense of $471 were recorded for the three month period ended March 31, 2020 and the same period in 2019, respectively, driven by taxable losses and income for the respective periods. Deferred tax expense of $154 and recovery of $1,074 were recorded for the three month period ended March 31, 2020 and the same period in 2019, respectively.

The deferred income tax provision differs from the statutory rate of 25.33% (2019 – 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 Interim Consolidated Statements of Financial Position from December 30, 2019 to March 31, 2020:

($000)	Increase/ (Decrease)	Primary factors explaining change
Accounts receivable	699	Increase due to increased contract production receivables and other customer amounts
Inventories	392	Increase in raw materials and finished goods due to timing of production schedule
Prepaid expenses & deposits	71	Increase in promotional material intended for second quarter of 2020
Property, plant & equipment	(2,483)	Decrease due to initial application of IFRS 16 and depreciation offset by new equipment and building additions
Right-of-use assets	5,898	Recognition of right-of-use asset on initial application of IFRS 16 offset by depreciation
Intangible assets	(49)	Decrease due to amortization
Bank indebtedness	271	Increase in the combined balances of the Operating Facility (defined herein) and outstanding cheques
Accounts payable & accrued liabilities	1,476	Increase consistent with production schedule and inventory
Current taxes	336	Increase due to reduction in expected taxable income
Share-based payments	(179)	Decrease in share price on share appreciation rights and amortization of share options and RSUs (defined herein)
Long term debt	(156)	Net repayment of term loans
License obligation	(17)	Net repayment of license obligation based on Fireweed branded product sales
Lease liability	4,996	Recognition of additional lease liabilities on initial application of IFRS 16 offset by principal repayments
Lease incentive liability	(287)	Decrease due to initial application of IFRS 16 recording of lease incentive liability as a reduction of right-of-use asset
Deferred income taxes	(83)	Tax effect of changes in temporary differences

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

As at ($000)	March 31, 2020	December 30, 2019
Cash	$ (60)	$ (354)
Total debt [(1)] [(2)]	5,707	5,609
Net debt	5,647	5,255
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	1,915	1,795
Accumulated deficit	(81,332)	(79,761)
Total shareholders' equity	34,428	35,879
Total capitalization (total debt plus shareholders' equity, net of cash) [(1)]	**$ 40,075**	$ 41,134
Net debt to total capitalization ratio [(1)]	14.1%	12.8%

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

Capital Strategy

The Corporation defines its capital to include common shares of the Corporation ("**Common Shares**") plus short-term and long-term debt and lease liabilities, less cash balances. There are no externally imposed capital requirements on the Corporation. 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 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. Adjustments are made by considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the Corporation's capital structure, Big Rock may issue new public securities, 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 of Big Rock (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.

The Corporation had a negative working capital position of $494 at March 31, 2020, compared to a positive working capital position of $419 at December 30, 2019.

As at March 31, 2019, the Corporation had total current assets and total current liabilities of $7,528 and $8,022, respectively, compared to $6,597 and $6,178, respectively, as at December 30, 2019. The increase in current assets can be attributed to increase in finished goods inventory due to customer orders and new product launches and an increase in accounts receivable due to an increase in contract production receivables and other customer amounts. The increase in current liabilities is attributable to additional lease liabilities on initial application of IFRS 16 and an increase in trade payables.

The Corporation may issue new Common Shares, debt or other securities, 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, to facilitate management of its capital requirements. These budgets are updated as necessary depending on numerous factors, including capital deployment, results from operations, general industry conditions, and government policy changes.

Additionally, the Corporation monitors its capital using ratios of (i) net debt (debt less cash) to 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.

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:

	Three months ended March 31		
($000, except volumes)	2020	2019	Change
Net loss	$ (898)	$ (1,721)	$ 823
Addback:			
Interest	160	113	47
Taxes	(182)	(603)	421
Depreciation and amortization	999	820	179
EBITDA[(1)]	**$ 79**	**$ (1,391)**	**$ 1,470**

(1) Non-GAAP measure. See "*Non-GAAP Measures*".

Cash Flow from Operating Activities

Cash provided by operating activities for the three month period ended March 31, 2020 totalled $177, an increase of $1,413 compared to the same period in 2019, primarily due to increased wholesale gross profit from increased revenue and higher sales and the recording of building lease liability payments as cash flow from financing activities upon initial application of IFRS 16 on December 31, 2019.

Cash Flow from Financing Activities

Cash used in financing activities for the three month period ended March 31, 2020 increased by $115 compared to the same period in 2019 due to repayment of long-term debt and license obligations, offset by an increase in bank indebtedness and the recording of building lease liability payments as cash flow from financing activities upon initial application of IFRS 16 on December 31, 2019.

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**") and together with the Operating Facility, the "**Credit Facilities**"). 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 for 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.

The Credit Facilities impose a number of positive and negative covenants on the Corporation, 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 ("**Fixed Charge**") ratio which is required to be a minimum of 1.1 to 1, calculated as the rolling 12-month EBITDA, 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. On August 1, 2019, Big Rock's lender waived the financial covenants under the Credit Facilities until and including June 30, 2020. Should the Corporation not be in compliance with its debt covenants at September 30, 2020, the Corporation's lender shall have the right to terminate the Credit Facilities and require the Corporation to fulfil its outstanding debt balances immediately, provided an extension to the debt covenants waiver is not received. The Corporation anticipates it will be in compliance with its debt covenants at September 30, 2020.

On July 16, 2019, Big Rock's total facilities were reconfirmed by its lender at $11 million, with the maturity dates being extended to March 23, 2021 with an option for extension.

As at March 31, 2020, bank indebtedness was $1,803 (December 30, 2019 - $1,532), of which $1,630 was outstanding on the Operating Facility (December 30, 2019 - $870).

On April 1, 2020, Big Rock signed an agreement with the Corporation's lender electing to participate in a Customer Relief Program ("**CRP**") of the Corporation's bank debt. Under the terms of the agreement, the Corporation elected to defer payments of the existing Operating Facility and Term Facility up to and including May 31, 2020, after which time regular scheduled debt repayments resume and deferred principal and interest payments are required to be separately repaid over a period of one year subsequent to the expiry of the CRP.

As at	March 31, 2020	December 30, 2019
Term debt	$ 3,226	$ 3,385
Debt issue costs	—	(3)
	3,226	3,382
Current portion	(440)	(447)
Long term debt	**$ 2,786**	$ 2,935

On October 18, 2018, the Corporation closed an asset purchase and licensing transaction with Fireweed (the "**Fireweed Transaction**"). As part of the license agreement Big Rock entered into with Fireweed, the Corporation is required to pay Fireweed a fee calculated based on the Corporation's sales volumes of Fireweed trademarked products, on a monthly basis, with a maturity date of December 31, 2024, with an obligation to purchase the trademarks at a pre-determined price, net of all license fees paid up until the maturity date.

As at	March 31, 2020	December 30, 2019
License obligation	$ 678	$ 695
Current portion	(185)	(185)
License obligation	**$ 493**	$ 510

Big Rock has lease liabilities for contracts related to real estate within buildings, vehicle leases and sale and leaseback arrangements for equipment.

	March 31, 2020
Balance, beginning of period	$ 6,540
Additions	170
Interest expense	86
Lease payments	(299)
Lease liabilities included in the Statement of Financial Position as at March 31, 2020	6,497
Current	924
Non-current	$ 5,573

On April 21, 2020, Big Rock signed an agreement amendment with an equipment lessor of the Corporation electing to amend the repayment terms of an existing equipment lease. Under the terms of the amendment, the Corporation will defer payments of the existing equipment lease agreement up to and including June 26, 2020, after which time amended lease repayments will resume for the remaining duration of the agreement.

Cash Flows from Investing Activities

During the three month period ended March 31, 2020, a total of $353 was spent on capital expenditures, compared to $613 for the same periods in 2019, primarily as a result of new filter room flooring and equipment required for new product launches.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2020	2021	2022	2023	2024	thereafter
Utilities contracts	$ 30	$ 14	$ —	$ —	$ —	$ —
Raw material purchase commitments	3,086	1,000	861	216	151	—
Marketing sponsorships	369	281	108	—	—	—
Total	**$ 3,485**	**$ 1,295**	**$ 969**	**$ 216**	**$ 151**	**$ —**

On December 31, 2019, the Big Rock adopted IFRS 16 which resulted in the recognition of lease liabilities related to operating leases on the balance sheet some of which were previously reported as commitments.

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" herein.

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 May 5, 2020, Big Rock had the following issued and outstanding:

- 6,981,628 Common Shares;
- 439,547 time-based share appreciation rights ("**SARs**");
- 81,000 market-performance SARs;
- 285,000 time-based options;
- 69,000 market-performance options; and
- 111,310 restricted share units ("**RSUs**")

There were no new time-based SARs, options or RSUs granted during the three month period ended March 31, 2020.

Under the RSU Plan (the "**RSU Plan**"), the Board of Directors may issue a number of RSUs to directors, officers, employees and consultants of the Corporation. The RSU Plan entitles grantees under the plan to receive Common Shares or the cash equivalent. The determination of settling the payout amount in Common Shares or the cash equivalent is at the option of the Board of Directors. RSUs vest over a three year period, with one-third vesting on each of the first, second and third anniversary from the date of grant. RSUs are forfeited if the grantee leaves the Corporation before the vesting date.

The Board of Directors may issue an unlimited number of SARs under the SARS Plan (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 (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.

See Note 16 to the Interim Consolidated Financial Statements for more detailed information.

RISKS RELATED TO THE BUSINESS AND INDUSTRY

Competition

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 and seasonality of the business, 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 and new alcoholic beverage offerings being sold in the same markets where Big Rock competes for business. Alberta, the Corporation's primary market, has continued to see a strong trend towards the discount beer segment due to the ongoing economic challenges Alberta faces.

With the vast choice of craft brands now available, the advertising initiatives of craft divisions of the major breweries and the growth in the RTD market, it is likely that competitive pressures on price and sales volume will continue.

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 AGLC 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 tax or "mark-up" structure by which fees are levied on brewers' sales within their jurisdictions. 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 six times in the last six years, contributing to market uncertainty and has impacted Big Rock's financial results in a corresponding manner. In particular, in December 2018, the AGLC amended Alberta's beer mark-up policy resulting in a 104 percent increase in Big Rock's mark-up on beer sales volumes in the province. However, on August 21, 2019, the Government of Alberta and the AGLC announced amendments to the beer mark-up structure to include breweries with annual world-wide production of less than 400,000 hectolitres, such as Big Rock, by implementing a graduated mark-up that extends to $0.80 per litre. Effective September 13, 2019, the Corporation's mark-up on Alberta beer sales was reduced to $0.64 per litre from $1.25 per litre.

As Alberta is the Corporation's predominant market, future changes to this mark-up rate structure could have a significant impact on the Corporation's financial results. The Corporation will continue to be proactive with the Government of Alberta and continues to evaluate its long-term business plan in order to mitigate the risk of future mark-up rate fluctuations, in addition to evaluating mark-up rate impacts from other areas of growth, such as RTD and cider.

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, long-term debt and license obligations. 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.

Consumer Preferences

The premium beer market has grown substantially over the past decade. The Corporation believes that one factor in such growth has been increasing consumer demand for more full-flavoured beer in a wider variety of styles. A shift in demand profiles away from craft beer products could negatively affect Big Rock's current business plan and profitability. There has also been an increase in the level of health consciousness amongst consumers. This trend can lead to reduced consumption negatively affecting Big Rock's business.

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 rate fluctuations; however, management monitors the Corporation's foreign exchange rate 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 based on 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 in the near future, 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 three month period ended March 31, 2020 was 5.21% (2019 - 4.76%).

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 the 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.

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 into contracts which secure supply and set pricing to manage Big Rock's 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.

Sales and Distribution Risk

Due to the perishable nature of the Corporation's products and inventory, the Corporation depends on the regular and efficient distribution and sale of its products to consumers. Any disruption in distribution or sales, including as a result of changes in demand for a product, or a product format, due to delivery disruptions, general economic conditions, market disruptions such as a pandemic, crop failure, disaster or other events, or due to changing customer preferences and demands, could have an adverse effect on the financial condition and results of operations of the Corporation.

Product Liability Risk

As a manufacturer and distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury.

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 13, 2020 that is available on www.sedar.com.

OUTLOOK & STRATEGY

The Corporation's operating results for the three month period ended March 31, 2020 improved as compared to the same period in 2019, reflecting the positive impact of the September 2019 Alberta beer mark-up policy amendment in addition to the cost cutting initiatives implemented during the second quarter of 2019.

In 2020, the Corporation continues to focus on the following:

Maximizing Capacity Utilization of Assets

The Corporation will continue to pursue opportunities to maximize capacity utilization of its assets, especially volume growth opportunities aligned with seasonality, 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 with assets in Alberta, BC and Ontario, management continues to evaluate new growth opportunities that will result in fixed cost absorption.

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, packaging and warehousing capacity, distribution network, sales force and back office support.

Government Relations

As represented by Big Rock's financial underperformance in 2019, provincial and federal government policy on liquor can have a significant impact on the Corporation's business. As a result, Big Rock considers government relations as a vital component in operating its business and will continue to allocate significant resources towards government relations efforts.

Contract Manufacturing and Export

The Corporation continues to seek new contract manufacturing opportunities, both nationally and internationally, to mitigate some of the sales volume declines the Corporation experienced in 2019. Management views this line of business as a reliant source of near-term growth and cash flow.

The Corporation is also currently exploring export opportunities to profitably bring its brands and products to foreign markets.

Organic Growth

The Corporation is currently evaluating and re-developing its sales and pricing processes in existing markets to mitigate sales volume declines experienced in recent years.

Cost Reductions

Cost reductions and process improvements are an ongoing initiative implemented and supported by the Corporation's management team.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three months ended March 31, 2019. Further information on the Corporation's critical accounting policies and estimates can be found in the notes to the audited annual consolidated financial statements and MD&A for the year ended December 30, 2019.

DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management under the supervision of, and with the participation of, the President & 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 and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of March 31, 2020.

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, 2019, 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 March 31, 2020, 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 March 31, 2020. 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. These financial measures do not have any standardized meaning under the Corporation's Generally Accepted Accounting Principles and therefore may not be comparable to similar measures presented by other issuers. The following terms “total debt”, “total capitalization”, “net debt”, “EBITDA”, “net debt to EBITDA”, “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. Net debt is defined as total debt minus cash balances. EBITDA is calculated by adding back to net income, interest, income taxes, depreciation and amortization. Net debt to EBITDA is calculated by dividing EBITDA by net debt (debt less cash). 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 business plans;
- projections of the Corporation's strength and competitive position;
- the Corporation's monitoring of consumer plans and expectations regarding the developments of new products including in the RTD space;
- expectations regarding the Corporation's evaluation of growth opportunities and plans with respect to the same;
- expectations with regard to management's ability to maximize the profitability of its existing assets, create long-term value and enhance returns for its shareholders;

- projections of market prices and costs;
- anticipated supply and demand of Big Rock's products;
- expectations with regard to Big Rock's ability to maintain adequate sources of funding to finance the Corporation's operations;
- 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 recent changes in the AGLC beer mark-up rates in Alberta and any further changes in the future;
- the impact of recent changes in the AGLC liquor manufacturing policies in Alberta and any further changes in the future;
- expectations with respect to growth in Big Rock's gross margins once the COVID-19 pandemic passes;
- expectations with respect to Big Rock's ability to continue its business through the COVID-19 pandemic and ensure the safety and well-being of its employees; and
- expectations regarding the Corporation being in compliance with its debt covenants by September 30, 2020.

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:

- the Corporation's ongoing discussions with the Alberta Government with respect to the mark-up and grant program will be successful in improving the mark-up and grant programs applicable to the Corporation;
- 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
- that the duration of and extent of the COVID-19 pandemic will not be long-term.

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 2019 Annual Information Form dated March 13, 2020 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.