

**BIG ROCK BREWERY INC.**  
**Interim Consolidated Statements of Comprehensive Income (Loss)**  
**Unaudited**

*(In thousands of Canadian dollars, except per share amounts)*

	Note	Three months ended September 30		Nine months ended September 30	
		2020	2019	2020	2019
Net revenue	3	\$ 12,822	\$ 11,189	\$ 33,676	\$ 33,114
Cost of sales	4	7,555	7,214	20,506	22,806
Gross profit		5,267	3,975	13,170	10,308
<b>Expenses</b>					
Selling expenses	5	2,469	3,159	7,204	9,013
General and administrative	6	1,048	1,444	3,587	4,377
Depreciation and amortization		238	133	734	403
Operating expenses		3,755	4,736	11,525	13,793
Operating profit (loss)		1,512	(761)	1,645	(3,485)
Finance expenses		111	96	391	311
Other income		2	555	4	577
Income (loss) before income taxes		1,403	(302)	1,258	(3,219)
<b>Income tax expense (recovery)</b>					
Current tax expense (recovery)		—	(81)	(336)	(16)
Deferred tax expense (recovery)		375	(20)	888	(1,578)
		375	(101)	552	(1,594)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 1,028</b>	<b>\$ (201)</b>	<b>\$ 706</b>	<b>\$ (1,625)</b>
<b>Per share amounts</b>					
Basic	7	\$ 0.15	\$ (0.03)	\$ 0.10	\$ (0.23)
Diluted	7	\$ 0.14	\$ (0.03)	\$ 0.10	\$ (0.23)

*See accompanying notes to the interim consolidated financial statements*

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

As at	Note	September 30, 2020	December 30, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,292	\$ 354
Accounts receivable	8	2,577	1,645
Inventories	9	6,106	4,163
Prepaid expenses and deposits		583	435
Current taxes receivable		155	—
		10,713	6,597
<b>Non-current</b>			
Property, plant and equipment		37,658	40,876
Right-of-use assets	10	5,704	—
Intangible assets		2,121	2,309
		45,483	43,185
<b>Total assets</b>		<b>\$ 56,196</b>	<b>\$ 49,782</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Bank indebtedness	12	\$ —	\$ 1,532
Accounts payable and accrued liabilities	11	5,888	3,049
Current taxes payable		—	273
Long term debt - current	12	452	447
License obligation - current	13	185	185
Lease liability - current	14	1,078	367
Share-based payments - current	16	494	325
		8,097	6,178
<b>Non-current</b>			
Long term debt	12	2,557	2,935
License obligation	13	444	510
Lease liability	14	5,297	1,134
Lease incentive liability	15	—	287
Share-based payments	16	47	23
Deferred income taxes		3,473	2,836
		11,818	7,725
<b>EQUITY</b>			
Shareholders' capital		113,845	113,845
Contributed surplus	16	2,204	1,795
Accumulated deficit		(79,768)	(79,761)
		36,281	35,879
<b>Total liabilities and shareholders' equity</b>		<b>\$ 56,196</b>	<b>\$ 49,782</b>

Commitments and contractual obligations 20

*See accompanying notes to the interim consolidated financial statements*

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

	Note	Three months ended September 30		Nine months ended September 30	
		2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>					
Net income (loss) for the period		\$ 1,028	\$ (201)	\$ 706	\$ (1,625)
Items not affecting cash:					
Depreciation and amortization		978	845	2,965	2,491
Loss on sale of assets		19	—	19	5
Share-based payments	16	203	105	602	79
Lease incentive	15	—	7	—	20
Amortized debt issue costs		—	3	3	8
Gain on liability modification		—	(1,010)	—	(1,010)
Deferred income tax expense (recovery)		375	(19)	888	(1,577)
		2,603	(270)	5,183	(1,609)
Net change in non-cash working capital related to operations	18	(1,017)	(638)	(612)	(867)
<b>Cash provided by (used in) operating activities</b>		<b>1,586</b>	<b>(908)</b>	<b>4,571</b>	<b>(2,476)</b>
<b>FINANCING ACTIVITIES</b>					
(Decrease) increase in bank indebtedness		—	1,112	(1,532)	2,167
Repayment of long-term debt		(133)	(113)	(442)	(362)
Repayment of lease		(260)	(88)	(617)	(258)
<b>Cash (used in) provided by financing activities</b>		<b>(393)</b>	<b>911</b>	<b>(2,591)</b>	<b>1,547</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(527)	(9)	(994)	(689)
Purchase of intangibles		(13)	(18)	(48)	(118)
Proceeds from sale of property, plant and equipment		—	—	—	1
<b>Cash used in investing activities</b>		<b>(540)</b>	<b>(27)</b>	<b>(1,042)</b>	<b>(806)</b>
<b>Net increase (decrease) in cash</b>		<b>653</b>	<b>(24)</b>	<b>938</b>	<b>(1,735)</b>
Cash, beginning of period		639	191	354	1,902
<b>Cash, end of period</b>		<b>\$ 1,292</b>	<b>\$ 167</b>	<b>\$ 1,292</b>	<b>\$ 167</b>
<b>Supplemental cash-flow information</b>					
Interest paid		\$ 105	\$ 71	\$ 366	\$ 218
Cash taxes paid		\$ —	\$ (32)	\$ 92	\$ 302

*See accompanying notes to the interim consolidated financial statements*

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

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2019		113,845	1,795	(79,761)	35,879
Initial adoption of IFRS 16	2.3	—	—	(713)	(713)
Share-based payments	16	—	409	—	409
Total comprehensive income		—	—	706	706
<b>Balance as at September 30, 2020</b>		<b>\$ 113,845</b>	<b>\$ 2,204</b>	<b>\$ (79,768)</b>	<b>\$ 36,281</b>

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
Balance as at December 30, 2018		\$ 113,845	\$ 1,578	\$ (76,839)	\$ 38,584
Share-based payments	16	—	140	—	140
Total comprehensive loss		—	—	(1,625)	(1,625)
Balance as at September 30, 2019		\$ 113,845	\$ 1,718	\$ (78,464)	\$ 37,099

*See accompanying notes to the interim consolidated financial statements*

## BIG ROCK BREWERY INC.

### Notes to the Interim Consolidated Financial Statements

(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)

#### 1. CORPORATE INFORMATION

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

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

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

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

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

#### 2. BASIS OF PREPARATION

These Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These Consolidated Financial Statements should be read in conjunction with the Corporation’s consolidated financial statements as at and for the year ended December 30, 2019 which were prepared in conformity with IFRS as issued by the International Accounting Standards Board (“IASB”).

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors on November 3, 2020.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. It is not possible for the Corporation to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Corporation’s operations and ability to finance its operations.

Except for the changes described below, the accounting policies, basis of measurement, critical accounting judgements and significant estimates used to prepare the annual consolidated financial statements as at and for the year ended December 30, 2019 have been applied in the preparation of these Consolidated Financial Statements.

#### **IFRS 16 - Leases**

The Corporation applied IFRS 16 with an initial application date of December 31, 2019. As a result, the Corporation has changed its accounting policy for lease contracts as detailed below.

The Corporation applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at December 31, 2019. For leases entered into prior to December 31, 2019, the Corporation has chosen to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Statement of Financial Position immediately before the date of initial application.

## **BIG ROCK BREWERY INC.**

### **Notes to the Interim Consolidated Financial Statements**

*(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)*

#### ***Definition of a lease***

Previously, the Corporation determined at contract inception whether an agreement was or contained a lease under International Financial Reporting Interpretations Committee (“IFRIC”) 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease.

#### ***Lessee arrangements***

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases outstanding.

The Corporation decided to apply recognition exemptions to short-term leases and leases of low-value.

#### ***Leases classified as operating under IAS 17***

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation’s incremental borrowing rate as at December 31, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining at December 31, 2019;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### ***Leases classified as finance leases under IAS 17***

For leases that were classified as finance leases under IAS 17, the carrying amounts of the right-of-use asset and the lease liability as at December 31, 2019 are determined as at the carrying amounts of the lease asset and lease liability under IAS 17 immediately before that date.

#### ***Lessor arrangements***

When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sub-lease as an operating lease.

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)*

If an arrangement contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract.

**Impact on Consolidated Financial Statements**

On transition to IFRS 16, the Corporation reclassified finance leases previously recognized under IAS 17 in property, plant and equipment totalling \$2.1 million to right-of-use assets, recognized an additional \$4.1 million of right-of-use assets and \$5.3 million of lease liabilities, recognizing the difference in retained earnings and a lease incentive reduction.

When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate calculated as at December 31, 2019.

The following table provides a reconciliation of the commitments as at December 30, 2019 to the Corporation's lease liabilities as at December 31, 2019:

	December 31, 2019
Operating lease commitment at December 30, 2019 as disclosed in the Corporation's Consolidated Financial Statements	\$ 3,763
Discounted using the incremental borrowing rate at December 31, 2019	3,418
Extension and termination options reasonably certain to be exercised	1,897
Finance lease commitment under IAS 17 at December 30, 2019	1,501
Short-term leases	—
Leases of low dollar value	—
Lease liability at December 31, 2019	\$ 6,816

**3. NET REVENUE**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Gross product revenues	\$ 17,830	\$ 18,081	\$ 47,273	\$ 52,224
Federal excise taxes	(1,689)	(1,606)	(4,900)	(4,487)
Provincial liquor tax programs	(3,319)	(5,286)	(8,697)	(14,623)
<b>Net revenue</b>	<b>\$ 12,822</b>	<b>\$ 11,189</b>	<b>\$ 33,676</b>	<b>\$ 33,114</b>

Gross product revenues include wholesale beer, cider and other alcoholic beverage revenues, contract manufacturing revenues as well as retail store and restaurant sales. Net revenue includes gross revenues net of excise taxes and provincial government liquor taxes. Federal excise taxes are assessed on world-wide production of beer at tiered rates up to \$33.03 per hectolitre.

Up until July 2020, the Corporation was paying excise taxes on flavoured cider production at a rate of \$31.90 per hectolitre. In August 2020, the Corporation received a ruling from the federal regulators stating that flavoured cider products produced by the Corporation qualify for excise duty exemption. As a result, the Corporation ceased excise tax payments on flavoured cider in August 2020.

Provincial liquor tax programs include charges paid to provincial liquor control boards to cover distributions and other service charges. Effective September 13, 2019, the Alberta Gaming, Liquor and Cannabis Commission ("AGLC") amended the Alberta beer mark-up framework to a gradual beer mark-up structure for beer producers with production less than 400,000 hectolitres, such as Big Rock.

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***4. COST OF SALES**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Operating expenses	\$ 5,382	\$ 5,095	\$ 14,362	\$ 16,182
Salaries and benefits	1,433	1,407	3,913	4,535
Depreciation and amortization	740	712	2,231	2,089
<b>Cost of sales</b>	<b>\$ 7,555</b>	<b>\$ 7,214</b>	<b>\$ 20,506</b>	<b>\$ 22,806</b>

**5. SELLING EXPENSES**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Delivery and distribution costs	\$ 983	\$ 990	\$ 2,621	\$ 2,874
Salaries and benefits	709	766	2,341	2,723
Marketing and selling expenses	777	1,403	2,242	3,416
<b>Selling expenses</b>	<b>\$ 2,469</b>	<b>\$ 3,159</b>	<b>\$ 7,204</b>	<b>\$ 9,013</b>

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Salaries and benefits	\$ 565	\$ 715	\$ 2,165	\$ 2,576
Professional fees	283	260	709	638
Office and administrative	200	469	713	1,163
<b>General and administrative</b>	<b>\$ 1,048</b>	<b>\$ 1,444</b>	<b>\$ 3,587</b>	<b>\$ 4,377</b>

During the three and nine months ended September 30, 2020, Big Rock recorded \$nil (2019 - \$nil) and \$nil (2019 - \$0.4 million) in relation to restructuring activities.

**7. PER SHARE AMOUNTS**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net income (loss)	\$ 1,028	\$ (201)	\$ 706	\$ (1,625)
Shares outstanding, beginning and end of period	6,981,628	6,981,628	6,981,628	6,981,628
Effect of stock options and RSUs outstanding	181,430	—	142,907	—
Diluted number of shares outstanding, end of period	7,163,058	6,981,928	7,124,535	6,981,628
Per share amounts				
Basic	\$ 0.15	\$ (0.03)	\$ 0.10	\$ (0.23)
Diluted	\$ 0.14	\$ (0.03)	\$ 0.10	\$ (0.23)



**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***8. ACCOUNTS RECEIVABLE**

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

As at	September 30, 2020	December 30, 2019
Provincial liquor boards	\$ 1,648	\$ 916
Other receivables	982	782
Expected credit loss provision	(53)	(53)
<b>Total accounts receivable</b>	<b>\$ 2,577</b>	<b>\$ 1,645</b>

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

As at	September 30, 2020	December 30, 2019
Less than 30 days	\$ 1,376	\$ 908
30 - 60 days	886	494
60 - 90 days	34	2
Over 90 days	281	241
<b>Total accounts receivable</b>	<b>\$ 2,577</b>	<b>\$ 1,645</b>

**9. INVENTORIES**

As at	September 30, 2020	December 30, 2019
Raw materials and containers	\$ 1,470	\$ 1,670
Brews in progress	1,107	912
Finished product	2,845	1,109
Consignment product	581	395
Retail store	103	77
<b>Total inventories</b>	<b>\$ 6,106</b>	<b>\$ 4,163</b>

During the three and nine months ended September 30, 2020, charges of \$0.4 million (2019 - \$0.3 million) and \$1.9 million (2019 - \$0.6 million), respectively, were recorded to the Interim Consolidated Statements of Comprehensive Income (Loss) relating to obsolete inventories. There were no reversals of amounts previously charged to income in respect of inventory write-downs during the three and nine months ended September 30, 2020 and 2019.

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***10. RIGHT-OF-USE ASSETS**

	Buildings	Machinery and equipment	Vehicles	Total
<b>Cost</b>				
As at December 30, 2019	—	—	—	—
Initial adoption of IFRS 16	4,053	2,499	11	6,563
Additions	—	—	176	176
As at September 30, 2020	\$ 4,053	\$ 2,499	\$ 187	\$ 6,739
<b>Accumulated Depreciation</b>				
As at December 30, 2019	—	—	—	—
Initial adoption of IFRS 16	—	\$ 424	—	424
Depreciation	485	98	28	611
As at September 30, 2020	\$ 485	\$ 522	\$ 28	\$ 1,035
<b>Net book value</b>				
As at December 30, 2019	—	—	—	—
As at September 30, 2020	\$ 3,568	\$ 1,977	\$ 159	\$ 5,704

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

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

As at	September 30, 2020	December 30, 2019
Less than 30 days	\$ 5,609	\$ 2,861
30 - 60 days	78	136
60 - 90 days	—	—
Over 90 days	201	52
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 5,888</b>	<b>\$ 3,049</b>

**12. BANK INDEBTEDNESS AND LONG-TERM DEBT**

The Corporation has a \$5 million revolving operating loan facility (the “**Operating Facility**”) and a \$6 million revolving term loan facility (the “**Term Debt**”). The Operating Facility is available for general operating purposes and funding capital expenditure requirements. The Term Debt is available to fund capital expenditures. Term Debt expiry dates occur between 2025-2027.

Advances under both credit facilities may be made by way of Canadian prime rate loans and letters of credit. Interest is payable for prime-based loans under the Operating Facility at the financial institution’s prime rate plus 0.75 percent and on the Term Debt at the financial institution’s prime rate plus 1.5 percent. Fees for letters of credit are at 2.5 percent with a minimum fee payable.

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

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)*

On August 1, 2019, the lender waived the financial covenants under its credit facilities until and including June 30, 2020. As at September 30, 2020, the Corporation was in compliance with these financial covenants.

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 Debt up to and including May 31, 2020. As at June 30, 2020, deferred principal and interest payments under the CRP have been fully repaid and regular scheduled debt repayments for the remaining duration of the Operating Facility and Term Debt have resumed.

As at	September 30, 2020	December 30, 2019
Term debt	\$ 3,009	\$ 3,385
Debt issue costs	—	(3)
	3,009	3,382
Current portion	(452)	(447)
<b>Long term debt</b>	<b>\$ 2,557</b>	<b>\$ 2,935</b>

As at September 30, 2020, bank indebtedness was \$nil (December 30, 2019 - \$1.5 million), of which \$nil (December 30, 2019 - \$0.9 million) was outstanding on the Operating Facility.

**13. LICENSE OBLIGATION**

As at	September 30, 2020	December 30, 2019
Total license obligation	\$ 629	\$ 695
Current portion	(185)	(185)
<b>Non-current license obligation</b>	<b>\$ 444</b>	<b>\$ 510</b>

**14. LEASE LIABILITY**

	September 30, 2020
<b>Balance, beginning of period</b>	\$ 6,816
Additions	176
Interest expense	214
Lease payments	(831)
Lease liabilities included in the Statement of Financial Position as at September 30, 2020	6,375
Current	1,078
Non-current	\$ 5,297

Big Rock has lease liabilities for contracts related to real estate within buildings, vehicle leases and sale and leaseback arrangements for equipment. The weighted average discount rate for the three and nine months ended September 30, 2020 was 4.35 percent.

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 deferred payments under the existing equipment lease agreement up to and including June 26, 2020 totaling \$0.1 million, after which time the amended lease repayments resumed for the remaining duration of the agreement.

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***15. LEASE INCENTIVE LIABILITY**

At December 30, 2019, Big Rock had a lease incentive liability of \$0.3 million associated with the Corporation's building leases. As a result of initial adoption of IFRS 16, the Corporation recorded the lease incentive liability as a reduction of the right-of-use asset on December 31, 2019; see Note 2.

**16. SHARE-BASED PAYMENTS**

The components of share-based payments are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Equity settled plans:				
Options expense	\$ 23	\$ 45	\$ 80	\$ 140
Restricted share units expense	135	—	329	—
	158	45	409	140
Cash settled plans:				
SARs fair value adjustments	45	60	193	(61)
<b>Share-based payments</b>	<b>\$ 203</b>	<b>\$ 105</b>	<b>\$ 602</b>	<b>\$ 79</b>

The following table is a summary continuity of the number of share-based awards outstanding:

<i>(in thousands)</i>	Options	Performance options	RSU's	SAR's	Performance SAR's
December 30, 2018	260,000	69,000	—	406,802	81,000
Granted	25,000	—	111,310	118,260	—
Exercised	—	—	—	(18,381)	—
Cancelled	—	—	—	(8,834)	—
Expired	—	—	—	(58,300)	—
<b>December 30, 2019</b>	<b>285,000</b>	<b>69,000</b>	<b>111,310</b>	<b>439,547</b>	<b>81,000</b>
Granted	—	—	107,508	96,724	—
Cancelled	—	—	—	(12,980)	—
Expired	—	—	—	(54,000)	—
<b>September 30, 2020</b>	<b>285,000</b>	<b>69,000</b>	<b>218,818</b>	<b>469,291</b>	<b>81,000</b>

During the nine months ended September 30, 2020, the Corporation granted 107,508 Restricted Share Units ("RSUs") with an exercise price of nil. RSU's vest evenly over three years commencing one year following the grant date. RSU's may be settled in cash, in common shares of the Corporation, or a combination thereof at the discretion of the board of directors. RSU's are accounted for as equity-settled as the Corporation anticipates RSU's to be settled in common shares of the Corporation.

During the nine months ended September 30, 2020, the Corporation granted 96,724 Share Appreciation Rights ("SARs") with a weighted average exercise price of \$4.47. These SAR's vest evenly over three years with the first third vesting immediately upon the grant date. Expiry occurs five years following the grant date. SAR's are settled in cash and are accounted for as cash-settled in which the fair value of the amounts payable under the plan are recognized as adjustments to share based payments with a corresponding change in share-based payment liabilities.

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

*(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)*

The Corporation used the Black Scholes pricing model to calculate the estimated fair value RSU's and SAR's at the date of grant. The estimated weighted average fair value of RSU's and SAR's granted were \$4.36 and \$1.99, respectively.

**17. CAPITAL RISK MANAGEMENT**

The Corporation defines its capital to include: common shares plus short-term and long-term debt 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 cost of capital at an acceptable risk. This allows management to maximize the profitability of its existing assets and create long-term value and enhance returns for its shareholders.

As at	September 30, 2020	December 30, 2019
Cash	\$ (1,292)	\$ (354)
Total debt <sup>(1)</sup>	3,638	5,609
Shareholders' equity:		
Shareholders' capital	113,845	113,845
Contributed surplus	2,204	1,795
Accumulated deficit	(79,768)	(79,761)
Total shareholders' equity	36,281	35,879
Total capitalization (total debt plus shareholders' equity, net of cash balances)	\$ 38,627	\$ 41,134

<sup>(1)</sup> Includes bank indebtedness, long term debt, and license obligations.

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

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

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***18. CHANGE IN NON-CASH WORKING CAPITAL**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Accounts receivable	\$ 368	\$ 1,311	\$ (932)	\$ 919
Inventories	(389)	(225)	(1,943)	(1,293)
Prepaid expenses	(225)	97	(148)	(75)
Accounts payable and accrued liabilities	(771)	(1,808)	2,839	(136)
Current taxes receivable	—	(13)	(428)	(282)
<b>Total change in non-cash working capital</b>	<b>\$ (1,017)</b>	<b>\$ (638)</b>	<b>\$ (612)</b>	<b>\$ (867)</b>

**19. SEGMENTED INFORMATION**

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

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

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

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

**BIG ROCK BREWERY INC.****Notes to the Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***Profit by Segment**

Three months ended September 30	Wholesale		Retail		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Net Revenue	\$ 12,754	\$ 10,491	\$ 322	\$ 828	\$ (254)	\$ (130)	\$ 12,822	\$ 11,189
Cost of sales	7,303	6,748	506	596	(254)	(130)	7,555	7,214
Gross profit	5,451	3,743	(184)	232	—	—	5,267	3,975
Selling expenses	2,468	3,157	1	2	—	—	2,469	3,159
Segment profit (loss)	\$ 2,983	\$ 586	\$ (185)	\$ 230	\$ —	\$ —	\$ 2,798	\$ 816
General and administrative cost							1,048	1,444
Depreciation and amortization							238	133
Operating income (loss)							1,512	(761)
Finance expense							111	96
Other income							2	555
Income (loss) before income taxes							\$ 1,403	\$ (302)

Nine months ended September 30	Wholesale		Retail		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Net Revenue	\$ 33,306	\$ 31,682	\$ 879	\$ 1,823	\$ (509)	\$ (391)	\$ 33,676	\$ 33,114
Cost of sales	19,506	21,181	1,509	2,016	(509)	(391)	20,506	22,806
Gross profit	13,800	10,501	(630)	(193)	—	—	13,170	10,308
Selling expenses	7,200	9,005	4	8	—	—	7,204	9,013
Segment profit (loss)	\$ 6,600	\$ 1,496	\$ (634)	\$ (201)	\$ —	\$ —	\$ 5,966	\$ 1,295
General and administrative cost							3,587	4,377
Depreciation and amortization							734	403
Operating income (loss)							1,645	(3,485)
Finance expense							391	311
Other income							4	577
Income (loss) before income taxes							\$ 1,258	\$ (3,219)

**20. COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

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

	2020	2021	2022	2023	2024	thereafter
Utilities contracts	\$ 14	\$ 30	\$ —	\$ —	\$ —	\$ —
Raw material purchase commitments	881	1,030	1,008	344	216	—
Marketing sponsorships	-	239	108	—	—	—
<b>Total</b>	<b>\$ 895</b>	<b>\$ 1,299</b>	<b>\$ 1,116</b>	<b>\$ 344</b>	<b>\$ 216</b>	<b>\$ —</b>

On December 31, 2019, 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. See Note 2 for a reconciliation from the commitments as at December 30, 2019 to Big Rock's lease liabilities as at December 31, 2019.

**21. GOVERNMENT ASSISTANCE**

Big rock applied for government assistance and has been successful in receiving the Canada Emergency Wage Subsidy ("CEWS"). During the three and nine months ended September 30, 2020, Big Rock received CEWS of \$0.1 million and \$0.9 million, respectively. Government assistance has been recorded as a deduction to cost of sales, selling expenses and general and administrative expense on the interim consolidated statement of comprehensive income (loss).

**BIG ROCK BREWERY INC.**

**Notes to the Interim Consolidated Financial Statements**

*(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)*

**22. COMPARATIVE AMOUNTS**

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