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 years ended December 30, 2020 and 2019.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Corporation and accompanying notes as at and for the years ended December 30, 2020 and 2019. These audited consolidated financial statements have been prepared using International Financial Reporting Standards ("**IFRS**") and all tabular 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, 2020, 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 March 11, 2021.

COMPANY OVERVIEW

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, British Columbia, 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 private label arrangements, licensing arrangements and contract manufacturing arrangements.

RECENT DEVELOPMENTS

On February 9, 2021, Big Rock announced the approval of a 2021 capital plan of $8.8 million focused on enhanced packaging capabilities at its Calgary facility, IT and digital transformation projects and maintenance capital. Upon completion scheduled for early fourth quarter 2021, these upgrades will have increased total packaging capacity by 33% while adding significant flexibility for various can formats, bottles and kegs.

The 2021 capital program will achieve the following:

- Enhanced packaging capabilities on the Corporation's high-speed can-line;
- Enhanced consistency of finished goods production and significant waste reduction;
- Increased shelf-life in select products;
- Positions the Calgary facility for greater operational cost efficiencies to be realized with growth; and
- Modernization of IT infrastructure combined with a realignment of processes across all departments to improve efficiency, quality, security and overall customer experience.

In addition, the Corporation completed the expansion of its existing credit facilities with ATB Financial to a total capacity of $16.0 million, an increase of 45% from $11.0 million.

The impact of these transactions positions the Corporation's balance sheet to support its near-term growth initiatives in support of the strategic equipment investments and concurrent modernization efforts through enhanced IT and digital transformation projects. Management expects that this will enable Big Rock to achieve sustainable and profitable growth in 2022 and beyond.

FOURTH QUARTER AND ANNUAL 2020 HIGHLIGHTS

For the three months ended December 30, 2020, compared to the three months ended December 30, 2019, the Corporation reported:

- net revenue increased by 8.1%, from $9.5 million to $10.3 million;
- sales volumes increased 5.6% from 37,361 hl to 39,446 hl;
- earnings before interest, taxes, depreciation and amortization ("**EBITDA**") increased by $1.1 million to $0.5 million;
- net loss of $1.4 million versus a net loss of $1.3 million which was primarily driven by a non-cash impairment of its Ontario assets of $1.5 million; and
- operating loss of $1.8 million, compared to an operating loss of $1.6 million.

For the year ended December 30, 2020 compared to the year ended December 30, 2019, the Corporation reported:

- net revenue increase of 3.1%, from $42.7 million to $44.0 million;
- sales volumes increase of 1,433 hl, from 171,563 hl to 172,996 hl;
- positive EBITDA of $5.1 million compared to negative EBITDA of $1.1 million;
- a reduction in current and long-term debt of $2.0 million as the Corporation continued to focus on using its cash flow to pay down debt;
- net loss decrease to $0.7 million from a net loss of $2.9 million, an improvement of $2.2 million; despite the impact of the $1.5 million impairment recorded during the fourth quarter;
- operating loss of $0.1 million compared to an operating loss of $5.1 million;
- keg sales volumes decrease of 55% primarily related to on-premise closures due to COVID-19;
- damage and obsolete inventories increased from $0.8 million to $2.1 million; and
- receipt of $0.9 million in government assistance under the Canada Emergency Wage Subsidy ("**CEWS**") Program.

The COVID-19 pandemic necessitated a shift in business models for the Corporation and other beverage alcohol manufacturers in Canada. Beginning in the second quarter of 2020, the beverage alcohol market in Canada was forced to adapt to evolving consumer preferences in light of increased social distancing measures and government restrictions. Key consumer trends that Big Rock has experienced in 2020 include:

- the proliferation of expired products, primarily kegs, due to on-premise closures;
- the rapid decline in keg and on-premise revenues with recurring bar and restaurant closures and re-opening for only brief periods with physical distancing measures in place;
- a surge in retail packaged product sales as consumption venues shifted;
- a shift in demand for larger package types;
- limited access to consumers due to the inability to do tastings, limited trade marketing and event cancellations necessitating a shift to digital marketing of existing and new products;
- the launch of direct-to-consumer sales as distribution channels became restricted; and
- stock-outs for manufacturers as a major shift in production and inventory was required to fulfil demand spikes.

COVID-19 has presented both extraordinary challenges and new opportunities to all industries, including beverage alcohol. The Corporation believes these will persist for the foreseeable future.

In 2020, the Corporation achieved a $6.2 million increase in EBITDA to $5.1 million, as compared to 2019. Several trends from the second quarter of 2020 continued during the second half of the year with the strongest contributions to the improvement in the Corporation's EBITDA in the year being attributed to the following:

- contract manufacturing volumes and sales of the Corporation's license brands more than doubled in comparison to 2019;
- continued growth in value offerings including Alberta Genuine Draft and private label brands;
- significant reductions in selling expenses as a result of cost cutting initiatives implemented by the Corporation during the second quarter of 2019, in addition to a material loss of on-premise sales which typically have a greater proportion of selling expenses attached; and
- the resurgence in the Corporation's gross profit primarily driven by the Alberta Gaming, Liquor and Cannabis Commission's ("**AGLC**") amendment of the beer mark-up policy in September 2019.

The loss of keg sales related to COVID-19 continued to put the performance of Big Rock's Signature series of beers under pressure, along with a continued declining trend in beer consumption in Canada.

The Corporation experienced several manufacturing issues during the second and third quarters of 2020, some related to COVID-19 and others not which resulted in the Corporation realizing $2.1 million in damaged and obsolete inventories of which $1.6 million was due to these internal manufacturing issues. In addition to the impact on cost, these manufacturing issues also contributed to an increase in 'stock-outs' which is consistent with other brewers' experiences during the COVID-19 pandemic. These manufacturing issues were remediated in the fourth quarter of 2020. Furthermore, the Corporation expects the recently announced capital expenditures in 2021 to significantly reduce such manufacturing issues going forward.

Despite manufacturing and inventory challenges experienced in 2020, Big Rock reported net loss of $0.7 million or $0.10 per common share, compared to a net loss of $2.9 million or $0.42 per common share in 2019. The net loss in 2020 is due to a one-time, non-cash impairment related to the Corporation's, Ontario assets as a result of the suspension of its brewing and packaging operations in Ontario due to market conditions. Earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") during the year of 2020 was $5.1 million representing an increase of 582% over prior year. The strong year can be attributed to the cost restructuring completed in 2019, the AGLC beer mark-up amendment in September 2019 and the significant reduction in sales and marketing expenses as a result of the government restrictions related to COVID-19 impacting trade marketing, events and sponsorships. Given the resurgence in the Corporation's gross profit margins, its improved cost structure and its strong financial position and local procurement, management believes it is well positioned to respond to shifting consumer patterns and achieve growth through these extraordinary times.

$000, except hl and per share amounts	Three months ended December 30 2020	2019	Year ended December 30 2020	2019
Sales volumes (hl) [(1)]	39,446	37,361	172,996	171,563
Gross revenue	$ 13,691	$ 12,892	$ 60,964	$ 65,116
Net revenue	10,308	9,539	43,984	42,653
Cost of sales	6,993	7,511	27,499	30,317
EBITDA [(2)]	504	(645)	5,118	(1,062)
Operating loss	(1,779)	(1,615)	(134)	(5,100)
Net loss	(1,372)	(1,297)	(666)	(2,922)
Loss per share (basic & diluted)	$ (0.20)	$ (0.19)	$ (0.10)	$ (0.42)
$ per hl				
Net revenue	$261.32	$255.32	$254.25	$248.61
Cost of sales	$177.28	$201.04	$158.96	$176.71

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

OUTLOOK & STRATEGY

Big Rock's vision is to become Canada's largest independent brewer which is supported by its long-term strategy defined by the following three phases:

1) *Gear up – Optimize Capacity/Waste Reduction*
   - Optimize existing fixed asset base to support growth;
   - Complete IT digital transformation project to modernize processes and improve efficiency;
   - Position the balance sheet to support growth; and
   - Influence regulations to support growth.

2) *Fill up - Improve Utilization to Reduce Cost*
   - Improve utilization of infrastructure to drive profitability;
   - Increase contract manufacturing volume; and
   - Increase volumes in owned, licensed and private label brands.

3) *Drink up - Grow High Margin Mix*
   - Pursue portfolio complementing acquisitions;
   - Fuel growth of owned brands; and
   - Pursue meaningful investments in "better for you" innovations.

In 2021, the Corporation's focus will be on the Gear up and Fill up phases of its long-term strategy. Details on these initiatives are set forth below.

Gear up - Optimize Capacity/Waste Reduction

Asset optimization

Big Rock's current portfolio of assets, production expertise and management experience provide a unique platform for future growth, particularly at its Calgary facility where brewing capabilities for beer and malt-based beverages is significantly in excess of current packaging capabilities. The Corporation's $8.8 million capital plan in 2021 at its Calgary facility is targeted at improving on these packaging capabilities through a can-line upgrade and new tunnel pasteurizer. The can-line upgrade will increase packaging capacity by 33% while providing high-speed capabilities on multiple can formats. Pasteurization will open further expansion opportunities for the Corporation into the rapidly growing ready-to-drink (**"RTD"**) market enabling new product innovations and new contract manufacturing opportunities. While certain brands will remain unpasteurized according to consumer preferences, the Corporation plans to utilize pasteurization on other existing brands which will significantly reduce waste and increase shelf life of these products. These projects are currently underway and the Corporation expects the new equipment to be commissioned, operating and in use by the fourth quarter of 2021.

IT digital transformation

The Corporation is also undertaking certain IT and digital transformation projects which include:

- Implementation of an online sales portal to support e-commerce growth;
- Upgrades to existing IT infrastructure and applications to improve demand planning and warehouse management at the Calgary facility;
- Enhancement of internal reporting and business intelligence to improve decision making; and
- Improved cybersecurity to mitigate IT-related risks.

These projects are currently underway. The Corporation is planning a phased rollout of its online sales portal beginning in the second quarter of 2021 with a focus on wholesale customers in the Alberta market. The IT upgrades in support of improved demand planning and warehouse management are complimentary to the capital projects underway at the Calgary facility and expect to be fully implemented by the fourth quarter of 2021.

Effectively manage working capital and maintain balance sheet strength

The Corporation plans to optimize the use of cash and maintain sustainable balance sheet and leverage ratios during the implementation of the new production and packaging equipment. The recent amendments to the Corporation's current financing arrangements with its lender enables this flexibility.

Government relations to support growth initiatives

Big Rock considers government relations as a vital component in operating its business and will continue to allocate significant resources towards government relations efforts. In 2021, the Corporation plans to continue to work with government officials and industry associations to improve existing regulations that will enable growth opportunities particularly targeted toward supporting economic growth in Alberta. The Corporation also plans to pursue eligible grant programs that will support the Corporation's growth initiatives.

Fill Up - Improve Utilization to Reduce Cost

Improve utilization of existing infrastructure

To achieve near term revenue growth in 2021, prior to the commissioning of the new equipment upgrades at the Calgary facility, the Corporation plans to leverage its existing distribution and sale networks to enhance value to its current and potential new contract manufacturing customers in order to accelerate profitability as a result of fixed cost absorption.

Increase contract manufacturing volume

The Corporation is in the process of negotiating and securing new contract manufacturing volumes to fulfill available capacity enabled by the improved packaging capabilities following the commissioning of the new equipment at the Calgary facility beginning in the fourth quarter of 2021. The Corporation expects that the capital and IT upgrades will enable it to support significant growth in this part of the business.

Expand product offerings in-line with new and on trend innovations

The Corporation plans to expand the current portfolio of beverage alcohol products through its own brands with various new product offerings that will be announced and rolled out over the course of 2021.

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			
($000, except hl and per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volumes (hl)[1]	**39,446**	50,367	46,693	36,490	37,361	50,327	48,900	34,975
Net revenue	**10,308**	12,822	11,926	8,928	9,539	11,189	13,299	8,626
Cost of sales	**6,993**	7,555	7,095	5,856	7,511	7,214	9,246	6,346
EBITDA[2]	**504**	2,492	2,043	79	(645)	639	335	(1,391)
Operating profit (loss)	**(1,779)**	1,512	1,062	(921)	(1,615)	(761)	(495)	(2,229)
Net income (loss)	**(1,372)**	1,028	570	(892)	(1,297)	(201)	297	(1,721)
Per share amounts (basic) [3]	**$ (0.20)**	$ 0.15	$ 0.08	$ (0.13)	$ (0.19)	$ (0.03)	$ 0.05	$ (0.25)
Per share amounts (diluted) [3]	**$ (0.20)**	$ 0.15	$ 0.08	$ (0.13)	$ (0.19)	$ (0.03)	$ 0.05	$ (0.25)
$ Per hl Amounts[1]								
Net revenue	**261.32**	254.57	255.41	244.67	255.32	222.33	271.96	246.63
Cost of sales	**177.28**	150.00	151.95	160.48	201.04	143.34	189.08	181.44
Selling expenses	**52.81**	49.02	46.77	69.91	62.47	62.77	59.88	83.66
General and administrative	**38.25**	20.81	28.59	33.00	31.56	28.69	30.39	41.37
Operating profit (loss)	**(45.10)**	30.02	22.74	(25.46)	(43.23)	(15.12)	(10.12)	(63.73)
Net income (loss)	**(34.78)**	20.41	12.21	(24.45)	(34.71)	(3.99)	6.07	(49.21)

(1) Excludes contract manufacturing volumes due to the nature of the agreements.
(2) Non-GAAP Measure. See "*Non-GAAP Measures*".
(3) Amounts disclosed represent both total profits and losses and profits and losses from continuing operations.

During the fourth quarter of fiscal 2020, the Corporation had net revenues of $10.3 million, compared to $9.5 million in the fourth quarter of fiscal 2019, an increase of $0.8 million. The increase in year-over-year net revenues was primarily due to significant growth in volumes from contract manufacturing, licensed brands and value brands.

Cost of sales decreased by $0.5 million to $7.0 million in the fourth quarter of fiscal 2020, from $7.5 million in the fourth quarter of fiscal 2019, due to improved inventory management and production planning. Cost of sales as a percentage of net revenues decreased to 67.8% in the fourth quarter of 2020 compared to 78.7% in the fourth quarter of fiscal 2019.

Selling expenses decreased by $0.2 million to $2.1 million in the fourth quarter of fiscal 2020, from $2.3 million in the comparable period last year, due to a reduction in spending related to COVID-19 restrictions on trade marketing, sponsorships and events as well as a reduction in delivery and distribution costs with a reduction in deliveries to on-premise accounts. Selling expenses as a percentage of net revenues decreased to 20.2% in the fourth quarter of fiscal 2020, from 24.5% in the fourth quarter of fiscal 2019.

General and administrative expenses in the fourth quarter of fiscal 2020 increased by $0.3 million to $1.5 million compared to $1.2 million in the fourth quarter of 2019. The increase is due to certain reclassifications in the period related to IFRS 16 adjustments.

Depreciation expenses (inclusive of depreciation expense included in cost of sales) decreased by $0.1 million to $0.7 million in the fourth quarter of fiscal 2020, compared to $0.8 million in the fourth quarter of fiscal 2019, primarily due to the reclassification of certain amortization amounts related to the adoption of IFRS 16 and the associated amortization of right-of-use assets in the fourth quarter.

Impairment of property, plant and equipment in the fourth quarter of 2020 was $1.5 million due to the write-down of certain assets in the Corporation's Ontario location as a result of suspension of its brewing and packaging operations in Ontario due to market conditions.

Income tax recovery increased by $0.2 million to $0.5 million in the fourth quarter of fiscal 2020, from a recovery of $0.3 million in the fourth quarter of fiscal 2019, due primarily to a deferred income tax expense recovery.

SELECTED ANNUAL FINANCIAL INFORMATION

	Year Ended December 30		
($000, except volumes and per share amounts)	**2020**[3]	2019	2018
Sales Volumes (hl)[1]	172,996	171,563	201,577
Statements of Comprehensive Loss Data			
Net revenue	$ 43,984	$ 42,653	$ 48,748
Operating loss	(134)	(5,100)	931
Net loss	(666)	(2,922)	360
Per share – basic and diluted	$ (0.10)	$ (0.42)	$ 0.05
EBITDA[2]	5,118	(1,062)	4,150
Statements of Financial Position Data			
Total assets	51,955	49,782	56,740
Total non-current liabilities	10,921	7,725	11,535

(1) Excludes contract manufacturing volumes due to the nature of the agreements.
(2) Non-GAAP Measure. See "*Non-GAAP Measures*".
(3) Adoption of IFRS 16.

RESULTS OF OPERATIONS

Net Loss

Big Rock's reported net loss and operating loss improved year-over-year by $2.3 million and $5.0 million, respectively. This was primarily driven by the AGLC beer mark-up policy amendment in September 2019 combined with lower selling and general and administrative costs as a result of the cost restructuring completed in 2019. In addition, cost of sales decreased in the year due to improved inventory management and production planning. The year-over-year improvement was negatively impacted by a $1.5 million impairment loss on the Corporation's Ontario assets during the fourth quarter of 2020.

The Corporation experienced additional cost savings related to COVID-19 which includes the impact of CEWS received by the Corporation during the second and third quarters of 2020 and imposed spending restrictions on trade marketing, events and sponsorship activities.

EBITDA

Big Rock's EBITDA of $5.1 million reported for the year ended December 30, 2020 was a $6.2 million improvement over the prior year which was driven by the same underlying factors associated with the improvement in net income.

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

($000)	Three months ended December 30			Year ended December 30		
	2020	2019	Change	2020	2019	Change
Net loss	$ (1,372)	$ (1,297)	$ (75)	$ (666)	$ (2,922)	$ 2,256
Addback:						
Interest	115	90	25	506	401	105
Taxes	(514)	(272)	(242)	38	(1,866)	1,904
Depreciation and amortization	775	834	(59)	3,740	3,325	415
Impairment of property, plant and equipment	1,500	—	1,500	1,500	—	1,500
EBITDA[(1)]	**$ 504**	$ (645)	$ 1,149	**$ 5,118**	$ (1,062)	$ 6,180

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

Net Revenue

Net revenue includes wholesale beer, cider and other 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 Saskatchewan.

($000, except where otherwise indicated)	Year ended December 30		
	2020	2019	Change
Sales volumes (hl)[(1)]	172,996	171,563	1,433
Gross revenue	$ 60,964	$ 65,116	$ (4,152)
Federal excise taxes	(5,633)	(5,443)	(190)
Provincial liquor tax programs	(11,347)	(17,020)	5,673
Net revenue	**$ 43,984**	$ 42,653	$ 1,331
Net revenue by segment			
Wholesale	$ 42,589	$ 40,300	$ 2,289
Retail	1,395	2,353	(958)
Net revenue	**$ 43,984**	$ 42,653	$ 1,331
$ per hl[(1)]			
Wholesale net revenue	246.19	234.90	11.29

(1) Excludes contract manufacturing volumes due to the nature of the agreements.

Total sales volumes for the year ended December 30, 2020 increased 1.0% compared to 2019, while net revenue increased by 3.1%. This is a combination of a drop in retail revenue which was offset by increased wholesale revenue related to shifting demands related to the impact of the COVID-19 pandemic.

A 40.7% year-over-year decrease in retail revenue was primarily driven by a reduction in restaurant sales related to the impact of closures of Big Rock's retail locations due to the COVID-19 health restrictions for the vast majority of 2020. Online retail sales were launched in Alberta, BC and Ontario following physical location closures which mitigated some of the retail sales losses due to COVID-19. As at December 30, 2020, all retail locations were closed due to COVID-19 restrictions with the exception of BC which was operating with physical distancing and limited capacity regulations being followed. The Corporation continues to monitor and adapt all retail protocols to align with government policies and restrictions as they evolve.

Wholesale net revenue increased by 5.7% for the year ended December 30, 2020, compared to 2019, which was driven by increased revenues from contract manufacturing and increased sales volumes through product innovations across multiple brands and growth in variety packs and RTD.

Federal excise taxes increased slightly for the year ended December 30, 2020, due to the overall increase in production and sales volumes. Provincial liquor taxes decreased by 33.3% as a result of AGLC beer mark-up policy amendment in September 2019.

Cost of Sales

	Year ended December 30		
($000, except where otherwise indicated)	2020	2019	Change
Operating expenses	$ 19,097	$ 21,602	$ (2,505)
Salaries and benefits	5,402	5,923	(521)
Depreciation and amortization	3,000	2,792	208
Cost of sales	**$ 27,499**	$ 30,317	$ (2,818)
Percentage of revenue	62.5%	71.1%	(8.6%)

Cost of sales for the year ended December 30, 2020, decreased 9.3% as compared to 2019. The decrease in cost of sales is reflective of improved production planning, strong raw materials procurement, reduced salaries due to the cost restructuring in 2019, receipt of the CEWS of which $0.5 million was allocated to cost of sales, as well as certain building lease expenses being capitalized upon initial adoption of IFRS 16 on December 31, 2019. These savings were partially offset by increased costs related to several manufacturing issues experienced during 2020 resulting in increased waste and damaged inventories. The Corporation has since remediated these issues and expects that equipment and process improvements being implemented as part of the 2021 capital expenditure budget will significantly reduce the Corporation's exposure to such manufacturing issues once completed.

Cost of sales as a percentage of net revenue for year ended December 30, 2020 improved 8.6%, compared to the same period in 2019, due to the AGLC beer mark-up policy amendment in September 2019, the CEWS received and improved inventory management and production planning.

Selling Expenses

	Year ended December 30		
($000, except where otherwise indicated)	2020	2019	Change
Delivery and distribution costs	$ 3,258	$ 3,627	$ (369)
Salaries and benefits	3,081	3,501	(420)
Marketing and sales expenses	2,948	4,219	(1,271)
Selling expenses	**$ 9,287**	$ 11,347	$ (2,060)
Percentage of revenue	21.1%	26.6%	(5.5%)

Selling expenses decreased year-over-year as a result of decreased delivery and distribution costs due to a reduction in on-premise deliveries. The Corporation realized reductions to salaries and wages in connection with the receipt of the CEWS of which $0.2 million was allocated to selling expenses. Further savings continue to be realized through the Corporation's cost cutting initiatives from 2019 as well as a reduction in spending imposed by COVID-19 restrictions including limited sponsorships, events and trade marketing expenditures.

General and Administrative Expenses

($000, except where otherwise indicated)	Year ended December 30		
	2020	2019	Change
Salaries and benefits	$ 2,760	$ 2,986	$ (226)
Professional fees	964	1,016	(52)
Other administrative expenses	1,372	1,554	(182)
General and administrative expenses	**$ 5,096**	$ 5,556	$ (460)
Percentage of revenue	11.6%	13.0%	(1.4%)

General and administrative expenses decreased as a result of the CEWS of which $0.2 million was allocated to general and administrative expenses, the cost restructuring completed in 2019 and certain building lease expenses being capitalized upon initial adoption of IFRS 16 on December 31, 2019.

Depreciation and Amortization

Depreciation and amortization expense, including amounts recognized within costs of sales, was $3.7 million for the year ended December 30, 2020, versus $3.3 million 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.

Impairment of Property, Plant and Equipment

During the year ended December 30, 2020, the Corporation determined that indicators of impairment existed with respect to certain of the Corporation’s Ontario assets as a result of the suspension of its brewing and packaging operations in Ontario due to market conditions. A test for impairment was performed at the individual asset level by comparing the estimated recoverable amount to the carrying values of the assets. The estimated recoverable amount of the assets was determined to be their fair value less costs of disposal and an impairment of $1.5 million was recognized.

Income Taxes

Current income tax recovery of $0.3 million was recorded for the year ended December 30, 2020, versus an expense of $0.1 million in 2019. The 2020 recovery was due to deferred partnership losses being realized in 2020 and carried back to recover prior year tax payments.

Deferred tax expense of $0.4 million was recorded for the year ended December 30, 2020, versus a recovery of $2.0 million in 2019. These amounts are mainly a result of the recognition of partnership income or losses, which are deferred by one year for current tax purposes but recognized in each calendar year for deferred tax purposes.

The deferred income tax provision differs from the expected tax, using the statutory rate of 24.46% (2019 - 26.57%) due to non-deductible expenses and changes in tax rates and prior period timing differences.

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, on-premise customers and contract manufacturing 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 and directly through Big Rock's website and third-party delivery services.

Segment performance is evaluated on a number of measures, the most significant being gross profit net of selling expenses. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The Corporation's operating assets and liabilities, general and administrative expenses, income taxes and capital expenditures are managed on a corporate basis.

For the year ended December 30

($000)	Wholesale		Retail		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	**2020**	2019
Net Revenue	$ 43,484	$ 40,851	$ 1,395	$ 2,353	$ (895)	$ (551)	**$ 43,984**	$ 42,653
Cost of sales	26,498	28,156	1,896	2,712	(895)	(551)	**27,499**	30,317
Gross profit	16,986	12,695	(501)	(359)	–	–	**16,485**	12,336
Selling expenses	9,281	11,336	6	11	–	–	**9,287**	11,347
Segment profit (loss)	**$ 7,705**	$ 1,359	**$ (507)**	$ (370)	**$ –**	$ –	**$ 7,198**	989
General & administrative costs							**5,096**	5,556
Depreciation & amortization							**736**	533
Impairment of property, plant and equipment							**1,500**	–
Operating loss							**(134)**	(5,100)
Finance expense							**506**	401
Other income							**12**	713
Loss before income taxes							**$ (628)**	$ (4,788)

LIQUIDITY AND CAPITAL RESOURCES

($000)	December 30, 2020	December 30, 2019
Cash	$ (252)	$ (354)
Debt[1]	2,949	4,914
License obligation[1]	605	695
Net debt [2]	3,302	5,255
Shareholders' equity:		
Shareholders' capital	113,792	113,845
Contributed surplus	2,170	1,795
Accumulated deficit	(81,140)	(79,761)
Total shareholders' equity	34,822	35,879
Total capitalization [1]	$ 38,124	$ 41,134
Net debt to total capitalization ratio [1]	8.7%	12.8%

(1) Includes current and long-term portions.
(2) Non-GAAP measure. See "*Non-GAAP Measures*".

Capital Strategy

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.

Subsequent to December 30, 2020, the Corporation sourced additional capital and liquidity to advance its near-term growth strategies by way of increasing its borrowing capacity from $11 million to $16 million with its current lender (*See "Debt" below*).

Net Working Capital

The Corporation's net working capital surplus increased to $2.3 million at December 30, 2020 from $0.4 million in the prior year. The increase was primarily driven by higher receivable balances associated with an increase in the Corporation's contract manufacturing business as well as cider excise tax refunds from amounts paid in prior periods related to a ruling from federal regulators stating that the Corporation qualified for an exemption. Inventory was also higher in preparation for first quarter sales demands which was partially offset by higher accounts payable and accrued liabilities associated with the increased inventory. Current taxes payable is also expected to be lower as a result of expected lower taxable income. Net working capital is a non-GAAP measure and is defined as current assets less accounts payable and accrued liabilities (*See "non-GAAP Measures")*.

Debt

During the year ended December 30, 2020, the Corporation repaid $2.0 million in debt of which $1.5 million was applied as a reduction to all amounts outstanding under the $5 million revolving operating loan facility (the "**Operating Facility**") and $0.5 million in payments applied to amounts drawn against the $6 million evergreen revolving term loan facility (the "**Term Debt**").

On February 9, 2021, The Corporation amended terms under its existing credit agreement with its lender which includes an increase to the Operating Facility from $5 million to $6 million and an increase to the Term Debt from $6 million to $10 million. Both facilities will bear interest rates at prime plus 75-basis points and are subject to a 25-basis point standby-fee on committed amounts undrawn. The amendments also include an extension of the maturity date to March 23, 2026. The proceeds will be used for, but not limited to, funding capital projects, financing working capital requirements and general corporate purposes.

The Operating Facility is available for general operating purposes and funding capital expenditure requirements. The Term Debt is available to fund capital expenditures. Details on amounts outstanding under these facilities are as follows:

($000)	December 30, 2020	December 30, 2019
Operating facility – principal	$ —	$ 1,532
Term debt - principal and accrued interest	2,949	3,385
Debt issue costs	—	(3)
	2,949	4,914
Current portion	$ 470	$ 1,979
Long term debt	$ 2,479	$ 2,935

Term Debt payments of principal and interest are monthly. Details on amounts drawn under the Term Debt are as follows:

	Expiry date	December 30, 2020	December 30, 2019
Tranche 1	April 30, 2025	994	1,172
Tranche 2	February 28, 2026	1,203	1,378
Tranche 3	September 9, 2027	752	835
Total term debt outstanding		**$ 2,949**	$ 3,385

The 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 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 unfunded 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, the Corporations borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets.

As at December 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.

License Obligation

	December 30, 2020	December 30, 2019
Current obligation	$ 185	$ 185
Long term portion	420	510
	$ 605	$ 695

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.

During the year ended December 30, 2020, the Corporation made $0.1 million in repayments against this obligation.

Lease Liabilities

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

	December 30, 2020	December 30, 2019[1]
Lease liabilities, beginning of period	$ 1,788	$ 2,107
Adjustments on transition to IFRS 16	5,028	—
Additions	176	—
Interest expense	282	127
Lease payments	(1,161)	(473)
Amortization of lease incentive liability	—	27
	$ 6,113	$ 1,788
Current	$ 1,076	$ 367
Long-term	$ 5,037	$ 1,421

(1) Amounts in 2019 represent finance lease obligations and lease incentive liabilities.

In 2020, the Corporation upgraded its vehicle fleet by entering into new leasing agreements which resulted in additions to the liability of $0.2 million. Lease payments net of interest expense of $0.9 million represent principal repayments to these lease liabilities and consist of $0.3 million related to equipment leases, $0.5 million to building leases and the remaining to vehicle leases.

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 totalling $0.1 million, after which time the amended lease repayments resumed for the remaining duration of the agreement.

Capital Expenditures

During the year ended December 30, 2020, a total of $1.3 million was spent on capital expenditures, an increase of 31.3% to compared to 2019. The capital expenditures relate to facility maintenance and improvements, facility expansion and IT projects. The increase in capital expenditures as a result of production facility improvements include new filter room flooring, filtration equipment and equipment required for maintenance. Capital expenditures related to expansion include increasing capacity for variety pack types, RTD and contract production. In addition, the Corporation also incurred some initial planning and engineering costs during the fourth quarter of 2020 in support of the recently announced 2021 capital expenditure plan whereby the Corporation will be spending $8.8 million on strategic equipment investments to expand the packaging capabilities at its Calgary facility and the modernization of its production, sales, marketing, and finance processes through investments in information technology. These capital projects are currently underway and are expected to be completed in the fourth quarter of 2021.

Equity

At December 30, 2020, and as of the date of this MD&A, the Corporation had 6,981,628 common shares outstanding less 13,661 shares held in trust to resource employee compensation programs.

In addition, as of the date of this MD&A, the following potentially issuable common shares were outstanding:

- 285,000 time-based options;
- 69,000 market-performance options; and
- 181,210 restricted share units.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2021	2022	2023	2024	2025	thereafter
Utilities contracts	$ 30	$ —	$ —	$ —	$ —	$ —
Raw material purchase commitments	1,962	1,472	339	211	—	—
Marketing sponsorships	239	108	—	—	—	—
Total	**$ 2,231**	**$ 1,580**	**$ 339**	**$ 211**	**$ —**	**$ —**

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.

RISKS FACTORS

The Corporation is exposed to business risks that are inherent the alcoholic beverage industry, as well as those governed by the individual nature of the Corporations' operations. Risks impacting the business which influence controls and management of the Corporation include, but are not limited to, the following:

- Competition from local, national and international brewers;
- Changes in market trends, consumer preferences and product innovations;
- Changes to government regulations including provincial mark-up, federal excise and tax legislation;
- Sourcing of critical supplies related to raw materials and packaging; and
- Foreign exchange, interest, counterparty, and commodity price risk.

The Corporation manages these risks by

- Attracting and retaining a team of highly qualified and motivated professionals who have vested interest of the success of the Corporation;
- Active participation with industry organizations to monitor and influence changes in government relations and policies;
- Maintaining positive relationships with critical business partners and proactively manage contracts;
- Investing in infrastructure to improve flexibility and adaptability to new product innovations and market trends; and
- Maintaining financial flexibility through its capital management strategy.

A complete discussion of risk factors is included in the Corporations 2020 Annual Information Form ("AIF") available on the Corporations website at www.bigrockbeer.com or on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three months and year ended December 30, 2020. Further information on the Corporation's critical accounting policies and estimates can be found in the notes to the audited consolidated financial statements for the year ended December 30, 2020.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICOFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Disclosure controls and procedures

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filing or other reports is filed or submitted by the Corporation under securities legislation. The Corporation's CEO and CFO have concluded, based on their evaluation at December 30, 2020, the DC&P are designed and operating effectively to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Management's annual report on internal controls over financial reporting

Management is responsible for establishing and maintaining adequate ICOFR, which is a process designed by, or under the supervision of, the CEO and CFO, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision and with the participation of management, including the CEO and CFO, an evaluation of the effectiveness of the internal controls over financial reporting was conducted as of December 30, 2020 based on criteria described in "Internal Control – Integrated Framework" issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on this assessment, management determined that, as of December 30, 2020, the internal controls over financial reporting were designed and operating effectively.

INTERNAL CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

There were no changes in the Corporation's internal control over financial reporting during the period beginning on October 1, 2020 and ended December 30, 2020 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

CEO and CFO certifications

The Corporation's CEO and CFO have filed with the Canadian securities regulators regarding the quality of the Corporation's public disclosures relating to its fiscal 2020 report filed with the Canadian securities regulators.

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 "net working capital", "net debt", "total capitalization", "EBITDA", "net debt to EBITDA", are not recognized measures under GAAP and may not be comparable to that reported by other companies. In addition to net income and cash flow from operating activities, Management uses these non-GAAP measures to evaluate the Corporation's operating performance and leverage.

Net working capital: is defined as current assets minus current liabilities.

Net debt: is defined as the Corporations current and long-term portions of debt and license obligation less cash.

Total capitalization: is calculated by adding shareholders' equity and net debt. 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"

EBITDA: is calculated by adding back to net income, interest, income taxes, depreciation and amortization and impairment of property, plant and equipment. A reconciliation of EBITDA to net loss, the nearest GAAP measure, is contained under "Results of Operations – EBITDA" 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.

Net debt to EBITDA: is calculated by dividing EBITDA by net debt.

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, outlook and strategy;
- projections of the Corporation's strength and competitive position;
- the timing of completion of Big Rock's 2021 capital program, including the installation and commissioning of components thereof;
- Big Rock's total packaging capacity and flexibility upon completion of its 2021 capital program;
- management's expectations with regard to Big Rock's position as a manufacturer in Western Canada;
- Big Rock's growth strategy for owned and co-packed volumes produced in Calgary over the coming years;
- the impact and results of the 2021 capital program and the expansion of Big Rock's existing credit facilities on Big Rock;
- Big Rock's plans in respect of: (a) asset optimization; (b) IT digital transformation; (c) management of working capital; (d) government relations; (e) unitization of existing infrastructure; (f) contract manufacturing; and (g) product offerings as each is set out under "Outlook & Strategy" and the expected results and implications of each of the foregoing;
- expectations regarding the Corporation's evaluation of growth opportunities and plans with respect to the same;
- expectations with regard to the challenges and opportunities posed by COVID-19 and the duration of the same;
- expectations regarding current taxes payable;
- anticipated supply and demand of Big Rock's products;
- expectations regarding Big Rock's ability to meet consumer demand;
- management's expectations regarding its ability to respond to shifting consumer patterns and its ability to achieve growth; and
- expectations with regard to Big Rock's ability to maintain adequate sources of funding to finance the Corporation's operations.

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, "FOFI") about Big Rock's prospective financial position, including, but not limited to, that operational cost efficiencies to be realized within growth assuming completion of 2021 capital program and that the 2021 capital program will result in sustainable and profitable growth in 2022 and beyond. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Big Rock's anticipated future business operations.

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

- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- the demand for the Corporation's products 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 2020 Annual Information Form dated March 11, 2021 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 and FOFI 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 or FOFI, whether as a result of new information, future events or otherwise, unless required by law.