MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Big Rock Brewery Inc. (the "**Corporation**" or "**Big Rock**") for the three and six months ended June 30, 2021.

This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Corporation and accompanying notes as at and for the three and six months ended June 30, 2021 (the "**Consolidated Financial Statements**") and the December 30, 2020 audited consolidated financial statements and MD&A. The Consolidated Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**") and all amounts are reported in thousands of Canadian dollars unless otherwise noted. Additional information about the Corporation, including the Annual Information Form for the year ended December 30, 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 July 29, 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, ciders and other alcoholic beverages, primarily in Canada. The Corporation owns and operates production facilities in Alberta, British Columbia ("**BC**") and Ontario. Today, Big Rock's primary brewing, packaging and warehousing facility is located in Calgary, Alberta and has been in operation since 1996. Big Rock has distribution facilities in Calgary and Edmonton, and sales staff resident in Alberta, BC, Saskatchewan, Manitoba and Ontario.

In April 2015, Big Rock opened a brewery and eatery in Vancouver, BC's thriving downtown craft beer district. This combined brewery and brewpub serves on-premise consumers and provides distribution for Big Rock's products throughout BC. In 2017, Big Rock opened a location in the Liberty Village area of Toronto, Ontario, which 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 agreements, production agreements and licensing agreements.

SECOND QUARTER 2021 HIGHLIGHTS

For the three months ended June 30, 2021, compared to the three months ended June 30, 2020, the Corporation reported:

- net revenue increased by 14.8%, from $11.9 million to $13.7 million;
- sales volumes of 46,233 hectolitres ("**hl**") remained relatively flat versus 46,693 hl reported in the comparative period;
- adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**") decreased by $0.5 million from $2.5 million to $2.0 million;
- net income increased to $0.8 million from $0.6 million;
- operating income of $1.1 million remained flat; and
- sale of Etobicoke brewery assets for net proceeds of $2.1 million resulting in full repayment of equipment lease liabilities associated with the divested assets of $1.1 million and the reduction of $0.3 million of building leases assigned to the purchaser.

For the six months ended June 30, 2021, compared to the six months ended June 30, 2020, the Corporation reported:

- net revenue increased by 16.5%, from $20.8 million to $24.3 million;
- sales volumes decreased 1.6% from 83,183 hl to 81,833 hl as a result of continued decreased keg sales and on-premise volumes with continued COVID-19 restrictions in certain markets;
- adjusted EBITDA increased by $0.2 million to $2.8 million;
- net income of $0.3 million versus a net loss of $0.3 million;
- operating income of $0.6 million, compared to operating income of $0.1 million;
- capital investment of $4.2 million as part of the Corporation's 2021 capital program to enhance its packaging capabilities and improve IT and data infrastructure; and
- $7.4 million drawn on total credit facilities of $16 million.

The Corporation's sales volumes were impacted by continued restrictions in all main provinces in the first half of 2021 due to the COVID-19 pandemic which has presented both extraordinary challenges and new opportunities to all industries, including beverage alcohol. As restrictions continue to ease, the Corporation expects to see third quarter sales volumes of higher margin products to begin to increase towards pre-pandemic levels.

Several trends from 2020 continued during the first half of 2021 with the strongest contributions to the improvement in the Corporation's financial results being attributed to co-packing revenues; more than doubling in comparison to the first half of 2020. Overall sales volumes remained relatively flat year-over-year with continued growth in the Corporation's licensed and partner brands offsetting on-premise declines in the Corporation's signature and cider brands. The reduction in keg sales in favour of packaged products due to the shift in sales from on-premise to retail contributed to a slightly higher cost of goods sold when compared to the same period in 2020. In addition, maintenance and utilities costs were higher as a result of increased production volume and inflationary pressure on some costs compared to the prior year.

The Corporation's strategic 2021 capital plan commenced during the first half of 2021 as the Corporation incurred $4.2 million in capital expenditures which in large part represents the initial payments for the Corporation's new packaging equipment, along with engineering costs incurred to prepare the Calgary facility for the expected delivery of the equipment during the third quarter of 2021 and full implementation by the fourth quarter of 2021.

The Corporation has also made progress on the IT digital transformation portion of the capital budget during the first half of 2021 with the planning, construction and testing phases of the online sales portal nearing completion. The sales portal, which is designed to provide the Corporation's Alberta based customers the ability to place orders online via the Corporation's website, is expected to be fully operational in the third quarter of 2021. The IT upgrades in support of improved production, supply and demand planning, warehouse management and other business intelligence tools are complimentary to the capital projects underway at the Calgary facility.

The Corporation continues to optimize the use of cash and maintain sustainable balance sheet and leverage ratios in preparation to financially support the implementation of the new production and packaging equipment. During the quarter ended June 30, 2021, the Corporation has drawn a combined $4.5 million under its Operating Loan Facility and Term Debt (each defined herein) to fund its capital expansion program resulting in a total balance drawn as of June 30, 2021 of $7.4 million on its total credit facilities of $16 million.

Of the net cash proceeds of $2.1 million received upon completion of the divesture of the Corporation's Etobicoke brewery assets, $1.1 million were applied to settle lease obligations outstanding associated with the disposed assets and the remaining was used for working capital and other general corporate purposes. The Corporation expects the settlement of the lease obligations to optimize its capital structure and overall cost of capital which is expected to further enhance the Corporation's financial flexibility to drive growth.

$000, except hl and per share amounts	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Sales volumes (hl)(1)	46,233	46,693	81,833	83,183
Gross revenue	$ 18,626	$ 16,810	$ 32,929	$ 29,443
Net revenue	13,690	11,926	24,289	20,854
Cost of sales	8,312	7,095	15,399	12,951
Adjusted EBITDA(2)	1,978	2,501	2,767	2,521
Operating income (loss)	1,068	1,062	567	133
Net income (loss)	786	570	331	(322)
Income (loss) per share (basic and diluted)	$ 0.11	$ 0.08	$ 0.05	$ (0.05)
$ per hl				
Net revenue	$ 296.11	$ 255.41	$ 296.81	$ 250.70
Cost of sales	$ 179.78	$ 151.95	$ 188.17	$ 155.69

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

OUTLOOK & STRATEGY

Big Rock's long-term growth strategy is defined by the following three phases: 'Gear up', 'Fill up' and 'Drink up'. This strategy supports the Corporation's vision to become Canada's largest independent brewer.

As the Corporation looks ahead to the third quarter and beyond, the focus remains on the execution of its strategic 2021 capital expansion and IT digital transformation plan. Preparation for the new packaging equipment has been underway during the first half of the year with the equipment expected to be delivered to the Calgary facility early in the third quarter where it will be installed, commissioned and ready for use in the fourth quarter of 2021.

Meanwhile, the Corporation has commenced initiatives to broaden its revenue streams by entering into certain distribution and sales agency agreements which are expecting to continue to see growth into the third quarter. In addition, the Corporation continues to pursue new co-packing arrangements to fulfill anticipated available capacity enabled by the capital expansion plan in the fourth quarter of 2021. The Corporation has confidence that the capital and IT upgrades will further enable the business to maximize returns to deliver on its revenue growth strategy in 2022.

Big Rock looks forward to providing an update on the 2021 capital expansion and IT digital transformation plan following the release of its third quarter results in early November 2021.

Near the end of the first quarter of 2021, the Corporation launched White Peaks which is a hand-crafted hard tea made with real steeped tea and is produced and developed at the Calgary facility. The Corporation is expecting the launch of White Peaks to enhance and compliment the current portfolio of beverage alcohol products the Corporation offers and Big Rock is encouraged by its additional new product launches coming throughout the remainder 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:

	2021		2020				2019	
($000, except hl and per share amounts)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volumes (hl) [1]	**46,233**	35,600	39,446	50,367	46,693	36,490	37,361	50,327
Net revenue	**13,690**	10,599	10,308	12,822	11,926	8,928	9,539	11,189
Cost of sales	**8,312**	7,087	6,993	7,555	7,095	5,856	7,511	7,214
Adjusted EBITDA[2]	**1,978**	789	634	2,695	2,501	20	(637)	762
Operating income (loss)	**1,068**	(501)	(1,779)	1,512	1,062	(929)	(1,615)	(761)
Net income (loss)	**786**	(455)	(1,372)	1,028	570	(892)	(1,297)	(201)
Per share amounts (basic & diluted)	**$ 0.11**	$ (0.07)	$ (0.20)	$ 0.15	$ 0.08	$ (0.13)	$ (0.19)	$ (0.03)
$ Per hl Amounts[1]								
Net revenue	**296.11**	297.72	261.32	254.57	255.41	244.67	255.32	222.33
Cost of sales	**179.98**	199.07	177.28	150.00	151.95	160.48	201.04	143.34
Selling expenses	**60.95**	63.12	52.81	49.02	46.77	69.91	62.47	62.77
General & administrative	**28.70**	44.75	38.25	20.81	28.59	33.00	31.56	28.69
Operating income (loss)	**23.10**	(14.07)	(45.10)	30.02	22.74	(25.46)	(43.23)	(15.12)
Net income (loss)	**17.00**	(12.78)	(34.78)	20.41	12.21	(24.45)	(34.71)	(3.99)

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

RESULTS OF OPERATIONS

Net Income

Big Rock's reported net income improved year-over-year by $0.2 million. This was primarily driven by growth in co-packing revenue.

Adjusted EBITDA

The calculation of Adjusted 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, except where indicated)	Three months ended June 30			Six months ended June 30		
	2021	2020	Change	2021	2020	Change
Net income (loss)	$ 786	$ 570	216	$ 331	$ (322)	653
Addback:						
Interest	138	134	4	217	280	(63)
Taxes	281	359	(78)	181	177	4
Depreciation and amortization	790	980	(190)	1,675	1,987	(312)
Share based payments	126	458	(332)	506	399	107
Gain on disposal of assets	(143)	–	(143)	(143)	–	(143)
Adjusted EBITDA[(1)]	$ 1,978	$ 2,501	(523)	$ 2,767	$ 2,521	246

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

Although overall net revenues for both the three and six months ended June 30, 2021 contributed to increases to Adjusted EBITDA in comparison to the prior periods, this was mitigated by the impact of $0.8 million in Canadian Emergency Wage Subsidy payments received during the second quarter of 2020.

Net Revenue

Net revenue includes wholesale beer, cider and alcoholic beverage sales (net of excise taxes and provincial government liquor taxes), co-packing 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 the first half of 2021, followed by BC and Saskatchewan.

($000, except sales volumes)	Three months ended June 30			Six months ended June 30		
	2021	2020	Change	2021	2020	Change
Sales volumes (hl)	46,233	46,693	(460)	81,833	83,183	(1,350)
Gross revenue	$ 18,626	$ 16,810	$ 1,816	$ 32,929	$ 29,443	$ 3,486
Federal excise taxes	(1,815)	(1,889)	74	(3,153)	(3,211)	58
Provincial liquor tax programs	(3,121)	(2,995)	(126)	(5,487)	(5,378)	(109)
Net revenue	$ 13,690	$ 11,926	$ 1,764	$ 24,289	$ 20,854	$ 3,435
Net revenue by segment						
Wholesale	$ 13,018	$ 11,769	$ 1,249	$ 23,058	$ 20,297	$ 2,761
Retail	672	157	515	1,231	557	674
Net revenue	$ 13,690	$ 11,926	$ 1,764	$ 24,289	$ 20,854	$ 3,435
$ per hl						
Wholesale net revenue	$ 281.57	$ 252.04	$ 29.53	$ 281.77	$ 244.00	$ 37.77

Total sales volumes for the three and six months ended June 30, 2021 decreased marginally by 1.0% and 1.6%, respectively, which was mainly driven by reduced keg sales due to ongoing COVID-19 restrictions coupled with a slight decrease in Alberta Genuine Draft sales volumes due to the discontinued pop-top lids. Overall change in sales volumes for the six months ended June 30, 2021 is consistent with market trends.

The 14.8% and 16.5% increase in net revenue to $13.7 million and $24.3 million for the three and six months ended June 30, 2021, compared to the same periods in 2020, was driven by increased revenue realized through new co-packing arrangements.

Wholesale Revenue

Wholesale net revenue increased by $1.3 million (10.6%) and $2.8 million (13.6%) for the three and six months ended June 20, 2021, compared to the same periods in 2020, driven by an increase in revenue from co-packing arrangements, licensed and partner brands.

Retail Revenue

The 328% and 121% increase in retail net revenue for the three and six months ended June 30, 2021, compared to the same periods in 2020 is attributable to the success of online retail sales making up for the short fall in restaurant revenue due to COVID-19 health restrictions. At the quarter end, Ontario retail locations were closed due to COVID-19 restrictions, while BC and Alberta continue to operate with physical distancing and limited capacity regulations being followed. Subsequent to the quarter end, the provinces began to ease health restrictions and the Corporation is re-opening physical locations as permitted.

Cost of Sales

($000, except where indicated)	Three months ended June 30			Six months ended June 30		
	2021	2020	Change	2021	2020	Change
Operating expenses	$ 5,753	$ 5,312	$ 441	$ 10,561	$ 8,980	$ 1,581
Salaries and benefits	1,934	1,053	881	3,501	2,480	1,021
Depreciation and amortization	625	730	(105)	1,337	1,491	(154)
Cost of sales	$ 8,312	$ 7,095	$ 1,217	$ 15,399	$ 12,951	$ 2,448
Percentage of revenue	60.7%	59.5%		63.4%	62.1%	

Cost of sales for the three and six months ended June 30, 2021 increased 17.2% and 18.9% compared to the same periods in 2020. This increase is primarily a result of increased salaries and benefits (with $0.5 million in wages subsidies received in the second quarter of 2020) and direct material increases associated with the shift in sales mix from kegs to packaged goods related to bar and restaurant closures in relation to the ongoing COVID-19 pandemic.

Cost of sales as a percentage of net revenue for the three and six months ended June 30, 2021 increased 1.2% and 1.3% as a result of increased filtration related to the changing production mix, increased temporary labour charges related to variety pack demand as well as higher market prices impacting utilities costs.

Selling Expenses

($000, except where indicated)	Three months ended June 30			Six months ended June 30		
	2021	2020	Change	2021	2020	Change
Delivery and distribution costs	$ 1,010	$ 862	$ 148	$ 1,758	$ 1,638	$ 120
Salaries and benefits	977	684	293	1,882	1,632	250
Marketing and sales expenses	831	638	193	1,425	1,465	(40)
Selling expenses	$ 2,818	$ 2,184	$ 634	$ 5,065	$ 4,735	$ 330
Percentage of revenue	20.6%	18.3%		20.9%	22.7%	

Selling expenses increased by $0.6 million and $0.3 million for the three and six months ended June 30, 2021 compared to the same periods in 2020 largely due to an increase in salaries and benefits (with $0.3 million in wage subsidies received in the second quarter of 2020) and an increase in advertising costs relative to new brand and product launches.

General and Administrative Expenses

($000, except where indicated)	Three months ended June 30			Six months ended June 30		
	2021	2020	Change	2021	2020	Change
Salaries and benefits	$ 604	$ 515	$ 89	$ 1,263	$ 1,201	$ 62
Share based payments	126	458	(332)	506	399	107
Professional fees	203	132	71	400	426	(26)
Other administrative expenses	394	230	164	751	513	238
General and administrative expenses	$ 1,327	$ 1,335	$ (8)	$ 2,920	$ 2,539	$ 381
Percentage of revenue	9.7%	11.2%		12.0%	12.2%	

General and administrative expenses remained consistent as a percentage of revenue with the same periods in 2020.

Depreciation and Amortization

Depreciation and amortization expenses were $0.8 million and $1.7 million for the three and six months ended June 30, 2021, respectively, compared to $1.0 million and $2.0 million for the same periods in 2020 due to the reduction in the asset value of certain Ontario assets which were impaired by $1.5 million in the year ended December 30, 2020 and subsequently sold for net proceeds of $2.1 million on June 18, 2021 (*see "Second Quarter 2021 Highlights"*).

SEGMENTED INFORMATION

The Corporation has two reportable business segments, wholesale and retail, which are monitored by executive management for purposes of making decisions about resource allocation and performance management. The wholesale segment manufactures and distributes beer, cider, and other alcoholic beverages to provincial liquor boards, grocery chains, and on-premise customers which are subsequently sold to end consumers. The retail segment sells beverages, food and merchandise to end consumers through premises owned and/or operated by the Corporation.

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

SEGMENTED RESULTS

Three months ended June 30	Wholesale		Retail		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	**2021**	2020
Net Revenue	$ 13,592	$ 11,903	$ 672	$ 157	$ (574)	$ (134)	$ 13,690	$ 11,926
Cost of sales	8,122	6,865	764	364	(574)	(134)	8,312	7,095
Gross profit	5,470	5,038	(92)	(207)	—	—	5,378	4,831
Selling expenses	2,805	2,181	13	3	—	—	2,818	2,184
Segment profit (loss)	$ 2,665	$ 2,857	$ (105)	$ (210)	$ —	$ —	$ 2,560	$ 2,647
General and administrative cost							1,327	1,335
Depreciation and amortization							165	250
Operating income							1,068	1,062
Finance expense							138	134
Gain on dispositions							(143)	—
Other							6	(1)
Income before income taxes							$ 1,067	$ 929

Six months ended June 30	Wholesale 2021	Wholesale 2020	Retail 2021	Retail 2020	Eliminations 2021	Eliminations 2020	Consolidated **2021**	Consolidated 2020
Net Revenue	$ 24,044	$ 20,552	$ 1,231	$ 557	$ (986)	$ (255)	$ 24,289	$ 20,854
Cost of sales	14,864	12,203	1,521	1,003	(986)	(255)	15,399	12,951
Gross profit	9,180	8,349	(290)	(446)	—	—	8,890	7,903
Selling expenses	5,046	4,732	19	3	—	—	5,065	4,735
Segment profit (loss)	$ 4,134	$ 3,617	$ (309)	$ (449)	$ —	$ —	$ 3,825	$ 3,168
General and administrative cost							2,920	2,539
Depreciation and amortization							338	496
Operating income							567	133
Finance expense							217	280
Gain on dispositions							(143)	—
Other							(19)	(2)
Income (loss) before income taxes							$ 512	$ (145)

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

As at ($000)	June 30, 2021	December 30, 2020
Cash	$ (2)	$ (252)
Debt [2]	7,421	2,949
License obligation [2]	588	605
Net debt [1]	8,007	3,302
Shareholders' equity:		
Shareholders' capital	113,431	113,792
Contributed surplus	2,358	2,170
Accumulated deficit	(80,809)	(81,140)
Total shareholders' equity	34,980	34,822
Total capitalization [1]	$ 42,987	$ 38,124
Net debt to total capitalization ratio [1]	18.6%	8.7%

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

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.

During the first quarter of 2021, 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 $3.4 million as at June 30, 2021, from $2.3 million as at December 30, 2020. The increase was primarily driven by higher receivable balances associated with an increase in the Corporation's co-packing business. The inventory balance was also higher in preparation for third quarter sales demands and improved production planning which was partially offset by higher accounts payable and accrued liabilities associated with the increased inventory. 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

On February 8, 2021, the Corporation amended the terms of its existing credit agreement with its lender which includes an increase in the revolving operating loan facility (the **"Operating Facility"**) from $5 million to $6 million and an increase to the evergreen term loan facility (the **"Term Debt"**) from $6 million to $10 million. Advances under both credit facilities may be made by way of Canadian prime rate loans and letters of credit. Both facilities bear interest rates at prime plus 75-basis points and are subject to a 25-basis point standby-fee on committed amounts undrawn. Fees for letters of credit are at 2.5 percent with a minimum fee payable. Term Debt payments of principal and interest are monthly. 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.

During the six months ended June 30, 2021, the Corporation has drawn an additional $3.0 million from the $10 million of Term Debt and has drawn an additional $2.0 million against its Operating Facility to fund the 2021 capital expansion program. The Corporation also repaid $0.4 million in debt which was applied against the Term Debt. Details on amounts outstanding under these facilities are as follows:

($000)	June 30, 2021	December 30, 2020
Operating Facility – principal	$ 1,980	—
Term Debt - principal and accrued interest	5,516	$ 2,949
Debt issue costs	(75)	—
	7,421	2,949
Current portion	**$ 2,770**	$ 470
Long term debt	**$ 4,651**	$ 2,479

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

	Expiry date	June 30, 2021	December 30, 2020
Tranche 1	April 30, 2025	861	994
Tranche 2	February 28, 2026	1,065	1,203
Tranche 3	September 9, 2027	682	752
Tranche 4	February 28, 2031	2,908	—
Total term debt outstanding		**$ 5,516**	$ 2,949

At June 30, 2021, the Corporation had $4.0 million available on its Operating Facility and $4.5 million available to draw under the Term Debt.

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

As at June 30, 2021, the Corporation was in compliance with these financial covenants.

License Obligation

As at	June 30, 2021	December 30, 2020
Current portion	$ 185	$ 185
Long term portion	403	420
	$ 588	$ 605

On October 18, 2018, the Corporation closed an asset purchase and licensing transaction with Fireweed Brewing Corp. ("**Fireweed**") 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.

Lease Liabilities

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

As at	June 30, 2021	December 30, 2020
Lease liabilities, beginning of period	$ 6,113	$ 1,788
Adjustments on transition to IFRS 16	—	5,028
Additions	230	176
Disposals	(1,319)	—
Interest expense	122	282
Lease payments	(633)	(1,161)
Lease liabilities, end of period	**$ 4,513**	$ 6,113
Current	**$ 405**	$ 1,076
Long-term	**$ 4,108**	$ 5,037

Lease disposals include the cash settlement of the $1.1 million lease liability associated with leased machinery and equipment included as part of the Etobicoke disposition as well as a reduction of $0.3 million of building lease liabilities upon assignment of the building lease to the purchaser.

Capital Expenditures

During the six month period ended June 30, 2021, a total of $4.2 million was spent on capital expenditures. The capital expenditures primarily relate to the Corporation's asset optimization plan to improve its packaging capabilities through a can-line upgrade and a new tunnel pasteurizer. The expansion capital expenditures amount to $3.8 million, $0.2 million was spent on modernizing the Corporation's information technology as it relates to sales, marketing and finance processes and the remaining $0.2 million was spent on maintenance capital.

Equity

As of the date of this MD&A, the Corporation had 6,981,628 common shares outstanding less 68,278 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
- 224,479 restricted share units.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2021	2022	2023	2024	2025	thereafter
Utilities contracts	$ 14	$ —	$ —	$ —	$ —	$ —
Raw material purchase commitments	1,245	1,472	339	211	—	—
Marketing sponsorships	239	108	—	—	—	—
Total	**$ 1,498**	**$ 1,580**	**$ 339**	**$ 211**	**$ —**	**$ —**

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 to 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 a vested interest in 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 managing 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 and six months ended June 30, 2021. Further information on the Corporation's accounting policies and critical estimates can be found in the notes to the audited consolidated financial statements for the year ended December 30, 2020.

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 April 1, 2021 and ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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", "Adjusted EBITDA", "net debt to Adjusted 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*"

Adjusted EBITDA: Beginning in 2021, the Corporation replaced EBITDA with Adjusted EBITDA for measuring operating performance and borrowing capacity. Adjusted EBTDA is calculated by adding back to net income, interest, income taxes, depreciation and amortization, share based payment adjustments and gains and losses on disposal of assets. A reconciliation of Adjusted EBITDA to net loss, the nearest GAAP measure, is contained under "*Results of Operations – Adjusted EBITDA*".

Net debt to Adjusted EBITDA: is calculated by dividing Adjusted 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;
- expectations of increased sales volumes of higher margin products;
- the timing of the completion of Big Rock's 2021 capital program, including the installation and commissioning of components thereof;
- 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;
- the timing of the completion of Big Rock's sales portal and IT upgrades;
- expectations regarding Big Rock's ability to optimize its capital structure and overall cost of capital and its ability to further enhance the Corporation's financial flexibility to drive growth;
- the timing of the delivery of the new packaging equipment;
- anticipated growth in the Corporation's distribution and sales agency agreements and Big Rock's ability to broaden is revenue streams;
- expectations regarding Big Rock's capital upgrades and the recently expanded IT budget's ability to maximize returns with growth;
- expectations that the launch of White Peaks will enhance and compliment Big Rock's current portfolio of beverage alcohol products;
- expectations with regard to the challenges and opportunities posed by the COVID-19 pandemic and the duration of the same.

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:

- expectations regarding Big Rock's ability to optimize its capital structure and overall cost of capital and its ability to further enhance the Corporation's financial flexibility to drive growth; and
- anticipated growth in the Corporation's distribution and sales agency agreements and Big Rock's ability to broaden is revenue streams.

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 and FOFI 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.