

March 14, 2022

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Big Rock Brewery Inc. ("Big Rock") and all information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality and has ensured consistency with the financial information presented elsewhere in Management's Discussion and Analysis.

To assist management in the discharge of these responsibilities, Big Rock has established an organizational structure that provides appropriate delegation of authority, division of responsibilities, and selection and training of properly qualified personnel. Management is also responsible for the development of internal controls over the financial reporting process.

The Board of Directors is assisted in exercising its responsibilities through the Audit Committee of the Board of Directors, which is composed entirely of independent directors. The Audit Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Ernst & Young LLP on behalf of the shareholders in accordance with generally accepted auditing standards. Their report outlines the nature of their audits and expresses their opinion on the consolidated financial statements.

(signed) "Wayne Arsenault"
Wayne Arsenault
President & Chief Executive Officer

(signed) "William Hahn"
William Hahn
Interim Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Big Rock Brewery Inc.

Opinion

We have audited the consolidated financial statements of Big Rock Brewery Inc. ("the Corporation"), which comprise the consolidated statements of financial position as at December 30, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
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Inventory valuation

As at December 30, 2021, the inventory balance was \$6.7 million, which is comprised of raw materials, brews in progress, and finished product. Inventory is recorded at the lower of cost and net realizable value. During the year ended December 30, 2021, charges of \$1.1 million were recorded for obsolete inventories. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and sell the products. Cost includes expenditures incurred in acquiring raw materials and costs incurred to convert to finished goods. Notes 3 and 11 of the consolidated financial statements describe the accounting policy for inventory.

We performed the following procedures, among others, to evaluate the cost and net realizable value of inventory:

- Recalculated the standard cost on a sample of raw material, brews in progress, and finished product
- Tested the actual costs of raw material, labour and overhead by comparing the amounts to external and internal data sources such as invoices and payroll records
- Inspected the invoices for the most recent sales at or near year end and compared to the

Auditing management's inventory valuation was complex, given the degree of judgement and subjectivity in evaluating management's estimates and assumptions in determining the cost related to brews in progress and finished products and the net realizable value. Significant assumptions included the allocation of labour and overhead to brews in progress and finished products and the final selling price which is affected by changes in customer product preference, consumer spending and expectations about future market and economic conditions as a result of the COVID-19 pandemic. The assessment of net realizable value involves significant judgement as it requires an estimate of the final selling price of its products.

inventory cost, in order to assess the net realizable value

- Evaluated the Corporation's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ann-Marie Brockett.

Ernst + Young LLP

Calgary, Canada

March 14, 2022

Chartered Professional Accountants

BIG ROCK BREWERY INC.
Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

		Year ended December 30	
	Note	2021	2020
Revenue			
Net revenue	5	45,982	43,984
Cost of sales	6	31,160	27,499
Gross profit		14,822	16,485
Expenses			
Selling expenses	6	10,579	9,287
General and administrative	6	5,590	5,096
Depreciation and amortization	6	664	736
Impairment of property, plant & equipment	12	—	1,500
Operating expenses		16,833	16,619
Operating loss		(2,011)	(134)
Finance expenses	7	1,373	506
Loss on dispositions - net	12	767	—
Gain on extinguishment of liabilities	16	(53)	—
Other income		(22)	(12)
Loss before income taxes		(4,076)	(628)
Income tax expense (recovery)	8		
Current		—	(339)
Deferred		(819)	377
		(819)	38
Net loss and comprehensive loss		(3,257)	(666)
Per share amounts			
	9		
Basic		\$ (0.47)	\$ (0.10)
Diluted		\$ (0.47)	\$ (0.10)

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See accompanying notes to the consolidated financial statements

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

As at	Note	December 30, 2021	December 30, 2020
ASSETS			
Current			
Cash		228	252
Accounts receivable	10	2,167	2,594
Inventories	11	6,719	5,148
Prepaid expenses and deposits		463	387
Current taxes receivable		—	158
		9,577	8,539
Non-current			
Property, plant and equipment	12	42,654	41,329
Intangible assets	13	2,591	2,087
		45,245	43,416
Total assets		54,822	51,955
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	14	5,753	3,985
Debt - current	15	2,685	470
License obligation - current	16	—	185
Lease liabilities - current	17	738	1,076
Share-based payments - current	19	641	496
		9,817	6,212
Non-current			
Debt	15	7,529	2,479
License obligation	16	—	420
Lease liabilities	17	3,628	5,037
Share-based payments	19	—	21
Deferred income taxes	8	2,145	2,964
		13,302	10,921
EQUITY			
Shareholders' capital	18	113,620	113,792
Contributed surplus	19	2,480	2,170
Accumulated deficit		(84,397)	(81,140)
		31,703	34,822
Total liabilities and shareholders' equity		54,822	51,955

Commitments and contractual obligations 25

See accompanying notes to the consolidated financial statements

	<u>"Stephen Giblin"</u>	<u>"Michael Kohut"</u>
On behalf of the Board of Directors:	Stephen Giblin	Michael Kohut
	Director	Director

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

		Year ended December 30	
	Note	2021	2020
OPERATING ACTIVITIES			
Net loss and comprehensive loss		(3,257)	(666)
Items not affecting cash:			
Depreciation and amortization		3,335	3,740
Impairment of property, plant and equipment	12	—	1,500
Loss on dispositions - net	12	767	19
Share-based payments	19	802	732
Amortized debt issue costs	15	13	3
Deferred income tax (recovery) expense	8	(819)	377
Gain on extinguishment of liabilities	16	(53)	—
		788	5,705
Change in non-cash working capital related to operating activities	23	174	(1,379)
Cash provided by operating activities		962	4,326
FINANCING ACTIVITIES			
Advances (repayment) of debt	15	7,252	(1,968)
Repayment of license obligation	16	(552)	(90)
Repayment of lease liabilities	17	(1,896)	(879)
Repayments of share-based payments	19	(69)	—
Purchase of shares held in trust	18	(471)	(241)
Cash provided by (used in) financing activities		4,264	(3,178)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(7,536)	(1,158)
Purchase of intangibles	13	(800)	(92)
Proceeds from sale of property, plant and equipment	12	2,554	—
Change in non-cash working capital related to investing activities	23	532	—
Cash used in investing activities		(5,250)	(1,250)
Net decrease in cash		(24)	(102)
Cash, beginning of year		252	354
Cash, end of year		228	252

See accompanying notes to the consolidated financial statements

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

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
As at December 30, 2020		113,792	2,170	(81,140)	34,822
Share-based payments	19	—	609	—	609
Purchase of shares held in trust	18	(471)	—	—	(471)
Shares held in trust issued	18	299	(299)	—	—
Net loss and comprehensive loss		—	—	(3,257)	(3,257)
As at December 30, 2021		113,620	2,480	(84,397)	31,703

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
As at December 30, 2019		113,845	1,795	(79,761)	35,879
Initial adoption of IFRS 16		—	—	(713)	(713)
Share-based payments	19	—	563	—	563
Purchase of shares held in trust	18	(241)	—	—	(241)
Shares held in trust issued	18	188	(188)	—	—
Net loss and comprehensive loss		—	—	(666)	(666)
As at December 30, 2020		113,792	2,170	(81,140)	34,822

See accompanying notes to the consolidated financial statements

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”) in effect as of December 30, 2021.

These consolidated financial statements have been prepared on a going concern basis, based on management’s assessment that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Corporation be unable to continue as a going concern.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of Big Rock (the “**Board**”) on March 14, 2022.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value through profit and loss. These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Corporation and its subsidiaries. All values are rounded to the nearest thousand dollars except where otherwise indicated.

Basis of consolidation

These consolidated financial statements include the accounts of Big Rock and all of its wholly-owned subsidiaries. Subsidiaries are those enterprises controlled by the Corporation. The following companies have been consolidated within the consolidated financial statements:

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

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Inter-company balances and transactions, and any unrealized gains or losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Revenue recognition

Revenue is recognized either at a point in time or over a period of time, and when the revenue can be measured reliably.

Revenue from product sales is recognized at a point in time when the access to the benefits of Big Rock's products have been transferred to the buyer and no significant uncertainties remain regarding collection of the sales proceeds.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, discounts, applicable federal and provincial production, environmental and excise taxes levied by provincial liquor boards and the federal government.

Product which has passed its expiration date for freshness or has been damaged and is returned by distributors is accepted and destroyed. Big Rock uses historical experience to estimate the number of returns on a product level using the expected value method.

Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all related conditions are complied with. Government grants received in respect of expenditures are credited to the consolidated statements of comprehensive loss and netted against the expense to which they relate. Government grants in respect of capital expenditures are credited to the carrying amount of the related asset and are realized to the consolidated statements of comprehensive loss over the expended useful life of the related asset.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition to sell. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. If the net realizable value is less than cost, inventories are written down. If the net realizable value subsequently increases, a reversal of the loss initially recognized is applied to cost of sales.

Big Rock's inventories include: raw materials (materials and supplies to be consumed in the production process), brews in progress (in the process of production for sale), finished product held for sale in the ordinary course of business, consignment product which is consigned to provincial warehouses for sale and resale goods to be sold in the ordinary course of business in the dry-goods store.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Property, plant and equipment

Property, plant and equipment (“PP&E”) are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, any costs directly attributable to bring the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write-off the cost of PP&E, less their estimated residual value, using the straight-line method over the following expected useful lives:

Buildings	35-40 years
Machinery and equipment	5-40 years
Office furniture and equipment	5-15 years
Leasehold improvements	10-40 years

Depreciation of these assets commences when the assets are ready for their intended use. The Corporation conducts an annual assessment of the residual balances and useful lives being used for PP&E and any changes arising from the assessment are applied by the Corporation prospectively.

An item of PP&E is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an intangible asset consists of the purchase price plus any costs directly attributable to bringing the asset to the condition necessary for its intended use.

Amortization is provided at rates calculated to write-off the cost of intangible assets, less the estimated residual values, using the straight-line method over the following expected useful lives:

Computer software	3 years
Intellectual property	10 years
License	10 years
Website	6 years

Amortization of these assets commences when the assets are ready for their intended use. The Corporation conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Corporation prospectively.

An intangible asset is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Leases accounting

The Corporation has lease agreements for buildings, vehicles, machinery and equipment. The determination of whether an arrangement is, or contains a lease is based on the right to control an identified asset over the term of the arrangement. Qualifying leases are recorded as a right-of-use (“ROU”) asset for the right to use the underlying asset, and a lease liability for the obligation to make lease payments in the consolidated statements of financial position. Lease payments associated with low value leases and leases with a term of under twelve months are expensed.

At the commencement date of a lease, a ROU asset is recognized at cost and depreciated on a straight-line basis over the term of the agreement. ROU assets measured at cost are comprised of the initial lease liability, any lease payments made at or before the commencement date, initial direct costs, and estimates of costs for dismantling and restoration. ROU assets are remeasured when a modification to the underlying lease results in a remeasurement of the corresponding lease liability.

At the commencement date of a lease, a lease liability is recognized at the present value of all future lease payments discounted using either the interest rate implicit in the lease or using the Corporation’s incremental borrowing rate if the implicit rate is not readily available. Discounted future lease payments are comprised of fixed payments less any incentives received, variable payments based on an index or rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option (where the option to exercise is reasonably certain), and penalties for terminating a lease (where the expectation of termination is reasonably certain).

The carrying value of the lease liability is increased by the interest on the lease liability and decreased by the lease payments made. The interest charge is allocated to each period during the lease term. Interest on the lease liability is calculated using the discount rate at the commencement date. Variable lease payments that do not depend on an index or rate are expensed in the period in which they occur.

Any modification to an existing lease agreement triggers reassessment of the lease contract. If the lease modification is not accounted for as a separate lease, the lease liability is remeasured at the effective date of the modification by discounting the revised lease payments using a revised discount rate. A remeasurement of the lease liability will result in a corresponding adjustment to the ROU asset. If the corresponding ROU asset is nil, the adjustment will be recognized in the consolidated statements of comprehensive loss.

Lessor arrangements

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

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

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

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

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Impairment of assets

The Corporation assesses and continually monitors internal and external indicators of impairment relating to its assets.

(i) Financial assets

The Corporation applies an expected credit loss, or (“ECL”), model to all debt financial assets not held at fair value through profit and loss, or “FVTPL”, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the consolidated statements of financial position date. For trade receivables, the Corporation has applied the simplified approach under IFRS 9 and have calculated ECLs based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. ECL’s are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due in accordance with the contract and the cash flow the Corporation expects to receive. ECL’s are discounted at the effective interest rate of the financial asset.

(ii) Non-financial assets

The carrying amounts of property, plant and equipment and intangible assets are assessed for impairment indicators at each reporting period end to determine whether there is an indication that such assets have experienced impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s or group of assets estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (a cash generating unit “CGU”). Where an impairment loss is subsequently determined to have reversed, the carrying amount of the asset (or CGU) is adjusted to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) previously. A reversal of an impairment loss is recognized immediately in the consolidated statements of comprehensive loss.

Share-based payments

Under the Corporation’s share-based payments plans, share-based awards may be granted to executives, employees and non-employee directors. Big Rock uses option pricing models that are determined to result in the best estimate of fair value for its cash-settled and equity-settled instruments, depending on the vesting conditions of the instruments. The Black-Scholes option pricing model is generally used to determine fair values for all instruments that vest over a period of time. For instruments that vest using market-based performance criteria, fair values are determined using a model which takes into account the probability of meeting certain price targets and the Black-Scholes value of underlying instruments at such targets.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

(i) Cash-settled transactions

Share-based payments awards that settle in cash are accounted for as cash-settled plans and are measured at fair value each reporting period. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

The costs of cash-settled transactions with employees are initially measured by reference to the fair value at the date on which they are granted. The cumulative expense reflects the Corporation's best estimate of the difference between the grant price of the instrument and the price of the Corporation's shares at the date the instrument is ultimately exercised. When awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. At the end of each reporting period, the fair value of the instruments is remeasured to fair value, with a charge or credit to share-based payments expense within general and administrative expense on the consolidated statements of comprehensive loss and a corresponding increase or decrease to the liability on the consolidated statements of financial position.

The Corporation's share-based payment liability is designated as FVTPL.

(ii) Equity-settled transactions

The Corporation has a share option plan (the "Share Option Plan") which permits the Board to grant options to acquire common shares of the Corporation at the volume weighted average closing price for the five trading days preceding the date of grant. The Corporation is authorized to issue options up to a maximum of 10% of the issued and outstanding common shares pursuant to the Share Option Plan. Stock options that give the holder the right to purchase common shares are accounted for as equity-settled plans.

Under the Restricted Share Unit Plan ("RSU Plan"), the Board may issue a number of restricted share units ("RSUs") to directors, officers, employees and consultants of the Corporation. The RSU Plan entitles grantees under the plan to receive common shares or the cash equivalent. The Corporation is authorized to issue RSUs up to a maximum of 10% of the issued and outstanding common shares pursuant to the RSU Plan. RSUs vest over a three year period, with one-third vesting on each of the first, second and third anniversary from the date of grant. RSUs are forfeited if the grantee leaves before the vesting date. The determination of settling the payout amount in common shares or the cash equivalent is at the option of the Board.

The expense is based on the fair value of the options and RSUs at the time of grant and is recognized over the vesting periods of the respective options and RSUs. The cumulative expense reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest and following issuance, a corresponding increase is recorded to contributed surplus. Consideration paid to the Corporation on exercise of options is credited to share capital and the associated amount in contributed surplus is reclassified to share capital.

Shares held in trust

The Corporation has share-based payment plans whereby employees may be entitled to receive shares of the Corporation purchased on the open market by a trustee controlled by the Corporation. Shares acquired and held by the trustee for the benefit of employees that have not yet been issued to employees, are a separate category of equity that are presented net of common shares outstanding in share capital on the consolidated statements of financial position. The balance of shares held in trust represents the cumulative cost of shares held by the trustee. Upon the issuance of shares to the employee, the amount attributable to an employee is deducted from the balance of shares held in trust and removed from contributed surplus.

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

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

Taxation**(i) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statements of financial position.

(ii) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the date of the consolidated statements of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the date of the consolidated statements of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the consolidated statements of financial position.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Per share amounts

Basic per share amount is calculated by dividing net loss by the weighted average number of common shares outstanding during the period adjusted for the effect of shares held in trust. Diluted per share amount is determined by adjusting net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive potential common shares which comprise the exercise of share options. The calculation assumes that the proceeds on exercise of the options are used to repurchase common shares at the average market price during the period. Should the Corporation have a loss in a period, the options would be anti-dilutive and are excluded from the determination of fully diluted loss per common share.

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

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

Financial instruments

The Corporation classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. A financial asset or liability is measured initially at fair value plus, for an item not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

(i) Financial assets

At initial recognition, a financial asset is classified and measured at: amortized cost, FVTPL or fair value through other comprehensive income depending on the business model and contractual cash flows of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A substantial modification to the terms of an existing financial asset results in the derecognition of the financial asset and the recognition of a new financial asset at fair value. In the event that the modification to the terms of an existing financial asset do not result in a substantial difference in the contractual cash flows the gross carrying amount of the financial asset is recalculated and the difference resulting from the adjustment in the gross carrying amount is recognized in net loss.

The Corporation's cash and accounts receivable are measured at amortized cost. The Corporation has no financial assets measured at FVTPL or fair value through other comprehensive income.

(ii) Financial liabilities

Financial liabilities are initially measured at amortized cost or FVTPL. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less any required discount to reduce the payables to fair value. Debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are derecognized when the liability is extinguished. A substantial modification of the terms of an existing financial liability is recorded as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in net loss. Where a financial liability is modified in a way that does not constitute an extinguishment, the modified cash flows are discounted at the liability's original effective interest rate. Transaction costs paid to third parties in a modification are amortized over the remaining term of the modified debt.

The Corporation's accounts payable and accrued liabilities and debt are measured at amortized cost.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as a finance expense in the statements of comprehensive loss.

New accounting pronouncements

Amendments to IAS 1 Presentation of Financial Statements In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. The new guidance will be effective for annual periods starting on or after January 1, 2022 and is to be applied retrospectively. The Corporation has not yet determined the impact of this standard on the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions and estimates are based on historical experience, business trends and all available information that management considers relevant at the time of the preparation of the consolidated financial statements. However, future events and their effects cannot be anticipated with certainty and so as confirming events occur, actual results could ultimately differ from assumptions and estimates. Such differences could be material.

The following discusses the most significant accounting judgments and estimates that Big Rock has made in the preparation of these consolidated financial statements. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Significant judgments

Income taxes payable

Tax legislation, regulation and interpretation require judgment and may have a bearing on the amounts recorded in the tax provision and income taxes payable. Big Rock's tax filings are continually subject to review by the Canada Revenue Agency who makes the final determination of the actual amounts of taxes payable or receivable. This could have an impact on the current and future income tax expenses.

Deferred income taxes

Deferred tax liabilities require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

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

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

Impairment assessment

Impairment indicators include a significant decline in an asset's market value, significant changes in the technological, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned use of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

Assumptions and critical estimates**Property, plant and equipment**

Calculation of the net book value of property, plant and equipment requires Big Rock to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology, are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net loss recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the consolidated statements of financial position.

5. NET REVENUE

	Year ended December 30	
	2021	2020
Gross product revenues	63,033	60,964
Federal excise taxes	(4,999)	(5,633)
Provincial liquor tax programs	(12,052)	(11,347)
Net revenue	45,982	43,984

Gross product revenues include wholesale beer, cider and other alcoholic beverage revenues, co-packing revenues as well as retail store and restaurant sales. Net revenue includes gross revenues net of federal excise taxes and provincial government liquor taxes.

Federal excise taxes are assessed on world-wide production of beer at tiered rates up to \$34.00 per hectolitre.

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

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***6. EXPENSES BY NATURE**

Expenses related to depreciation, amortization and personnel are included within the following line items on the consolidated statements of comprehensive loss:

	Year ended December 30	
	2021	2020
Depreciation and amortization		
Cost of sales	2,671	3,004
Depreciation and amortization	664	736
Salaries, wages and benefits		
Cost of sales	6,850	5,402
Selling expenses	3,568	3,081
General and administrative	2,179	2,028
Share-based payments		
General and administrative	802	732

7. FINANCE EXPENSES

	Year ended December 30	
	2021	2020
Interest on debt	188	193
Interest on lease liabilities	214	281
Impairment on co-packing customer receivables	930	—
Other	41	32
Finance expenses	1,373	506

At December 30, 2021, the Corporate assessed certain co-packing customer receivables for impairment resulting in an impairment charge of \$0.9 million which was recognized in net loss and comprehensive loss on the consolidated statements of comprehensive loss.

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

Income tax expense (recovery) is comprised of the following:

	Year ended December 30	
	2021	2020
Current tax recovery	–	(339)
Deferred tax (recovery) expense	(819)	377
Income tax (recovery) expense	(819)	38

The following table reconciles the estimated income tax expense using a weighted average Canadian federal and provincial tax rate of 23.53% (2020 - 24.46%) to the reported tax expense. The reconciling items represent, aside from the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported consolidated financial statements, in accordance with IFRS.

	Year ended December 30	
	2021	2020
Loss before income taxes	(4,076)	(628)
Income tax recovery at statutory rate of 23.53% (2020 - 24.46%)	(959)	(154)
Effect on taxes of:		
Share-based payments	143	138
Non-deductible expenses	8	12
Other opening timing differences	(1)	(9)
Change in tax rate	(10)	50
Other	–	1
Income tax (recovery) expense	(819)	38

The movement in deferred income tax during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	2020	Change	2021
Property, plant and equipment	3,534	169	3,703
Intangible assets	402	(189)	213
Deferral of partnership income (loss)	629	(1,241)	(612)
Non-capital losses	(1,248)	456	(792)
Other	(353)	(14)	(367)
Total deferred tax liability	2,964	(819)	2,145

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***9. PER SHARE AMOUNTS**

The calculation of per share amounts is based on the following:

<i>(\$ thousands, except per share amounts)</i>	Year ended December 30	
	2021	2020
Net loss - basic	(3,257)	(666)
Effect of dilutive securities	—	—
Net loss - diluted	(3,257)	(666)
Weighted average shares		
Issued common shares	6,982	6,982
Effect of shares held in trust	(57)	(4)
Weighted average shares - basic	6,925	6,978
Effect of dilutive securities	—	—
Weighted average shares - diluted	6,925	6,978
Per share amounts:		
Basic	\$ (0.47)	\$ (0.10)
Diluted	\$ (0.47)	\$ (0.10)

In computing per share amounts for the year ended December 30, 2021, 239,295 potentially issuable common shares through share-based payment plans (2020 - 117,067) were excluded as the Corporation had a net loss and their inclusion would be anti-dilutive.

10. ACCOUNTS RECEIVABLE

As at	December 30, 2021	December 30, 2020
Provincial liquor boards	1,181	1,579
Co-packing customer receivables	1,300	647
Federal and provincial tax program receivables	329	281
Other receivables	332	140
Impairment on co-packing customer receivables	(930)	—
Expected credit loss provision	(45)	(53)
Total accounts receivable	2,167	2,594

At December 30, 2021, the Corporate assessed certain co-packing customer receivables for impairment resulting in an impairment charge of \$0.9 million which was recognized in net loss.

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***11. INVENTORIES**

As at	December 30, 2021	December 30, 2020
Raw materials and containers	2,535	1,367
Brews in progress	831	940
Finished product	2,445	2,311
Consignment product	831	397
Retail store	77	133
Total inventories	6,719	5,148

During the year ended December 30, 2021, charges of \$1.1 million (2020 - \$2.1 million) were recorded to the consolidated statements of comprehensive loss relating to damaged or obsolete inventories. There were no reversals of amounts previously recorded in respect of inventory write-downs during the year ended December 30, 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and equipment	Office furniture and equipment	Right of use assets	Total
Cost					
As at December 30, 2019	27,872	34,416	2,635	-	64,923
Initial adoption of IFRS 16	-	(2,499)	-	6,139	3,640
Additions	136	1,059	(37)	176	1,334
Disposals	-	(19)	-	-	(19)
As at December 30, 2020	28,008	32,957	2,598	6,315	69,878
Additions	26	7,449	61	450	7,986
Disposals	(1,772)	(2,376)	(174)	(2,884)	(7,206)
As at December 30, 2021	26,262	38,030	2,485	3,881	70,658
Accumulated depreciation and impairment					
As at December 30, 2019	4,486	17,584	1,977	-	24,047
Initial adoption of IFRS 16	-	(424)	-	-	(424)
Depreciation	785	1,817	240	584	3,426
Impairment	581	-	24	895	1,500
As at December 30, 2020	5,852	18,977	2,241	1,479	28,549
Depreciation	726	1,696	166	451	3,039
Disposals	(927)	(1,030)	(150)	(1,477)	(3,584)
As at December 30, 2021	5,651	19,643	2,257	453	28,004
Net book value					
As at December 30, 2020	22,156	13,980	357	4,836	41,329
As at December 30, 2021	20,611	18,387	228	3,428	42,654

On June 18, 2021, Big Rock sold its Etobicoke brewery assets for total cash consideration of \$2.1 million, net of transaction costs (the “**Etobicoke Divestiture**”). The divestiture resulted in a gain of \$0.1 million recognized in loss on dispositions in the consolidated statements of comprehensive loss. The Etobicoke Divestiture included all brewing and packaging equipment, excluding the bottling line which has been transferred for use at the Corporation’s Calgary facility. The purchaser also assumed the Corporation’s Etobicoke brewery building lease.

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

In November 2021, the Company sold its Calgary bottling line for net proceeds of \$0.3 million. The divestiture resulted in a loss of \$0.9 million recognized in loss on dispositions in the consolidated statements of comprehensive loss.

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 recorded in the consolidated statements of comprehensive loss.

13. INTANGIBLE ASSETS

Intangible assets are broken down as follows:

	Computer software	Brewing license	Intellectual property	Website costs	Total
Cost					
As at December 31, 2019	1,076	1,885	254	236	3,451
Additions	92	—	—	—	92
As at December 30, 2020	1,168	1,885	254	236	3,543
Additions	800	—	—	—	800
As at December 30, 2021	1,968	1,885	254	236	4,343
Accumulated amortization					
As at December 30, 2019	647	230	179	86	1,142
Amortization	82	188	9	35	314
As at December 30, 2020	729	418	188	121	1,456
Amortization	64	188	9	35	296
As at December 30, 2021	793	606	197	156	1,752
Net book value					
As at December 30, 2020	439	1,467	66	115	2,087
As at December 30, 2021	1,175	1,279	57	80	2,591

As at December 30, 2021 and 2020, there were no indicators of impairment noted in the carrying value of the Corporation's intangible assets and no provision is recorded. As at December 30, 2021, \$1.1 million (2020 - \$0.3 million) is not subject to amortization.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 30, 2021	December 30, 2020
Trade payables	3,620	1,897
Container deposits	495	518
Accruals and other	1,638	1,570
Total accounts payable and accrued liabilities	5,753	3,985

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

On February 8, 2021, the Corporation amended terms under its existing credit agreement with its lender which included 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 year ended December 30, 2021, the Corporation has drawn an additional \$6.6 million from the \$10 million of Term Debt and has drawn an additional \$1.5 million against its Operating Facility to fund the 2021 capital expansion program. The Corporation also repaid \$0.8 million in debt which was applied against the Term Debt. Details on amounts outstanding under these facilities are as follows:

As at	December 30, 2021	December 30, 2020
Operating facility - principal	1,480	–
Term debt - principal and accrued interest	8,814	2,949
Debt issue costs	(80)	–
	10,214	2,949
Current	2,685	470
Non-current	7,529	2,479

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

	Expiry date	December 30, 2021	December 30, 2020
Tranche 1	April 30, 2025	776	994
Tranche 2	February 28, 2026	980	1,203
Tranche 3	September 9, 2027	639	752
Tranche 4	February 28, 2031	2,809	–
Tranche 5	December 31, 2031	3,610	–
Total term debt outstanding		8,814	2,949

At December 30, 2021, the Corporation had \$4.5 million available on its Operating Facility and \$1.2 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.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

On December 24, 2021, an amendment to the commitment letter was made permitting the fixed charge coverage ratio to be less than 1.1 to 1 for the fiscal quarter ending December 30, 2021, where the ratio shall not be less than 0.5 to 1. The amendments also exclude the impairment on co-packing customer receivables in the calculation of the rolling 12 month fixed charge ratio. The fixed charge coverage ratio returns to 1.1 to 1 for all subsequent reporting periods.

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

On March 10, 2022, the Corporation's lender approved an amendment to the commitment letter permitting the fixed charge coverage ratio to be waived for the fiscal quarter ending March 31, 2022, reduced to not less than 0.5 to 1 for the fiscal quarter ending June 30, 2022 and set to 1.15 to 1 for all subsequent reporting periods. The amendments also include restrictions on additional draws of Term Debt until such time that that the Corporation achieves a fixed charge coverage ratio of 1.15 or greater. In addition, the Corporation's borrowings cannot exceed a borrowing base of 65 percent of the fair value of the Corporation's assets.

16. LICENSE OBLIGATION

As at	December 30, 2021	December 30, 2020
License obligation	—	605
Current	—	185
Non-current	—	420

On October 18, 2018, the Corporation closed an asset purchase and licensing transaction with Fireweed Brewing Company ("Fireweed"). As part of the license agreement Big Rock entered into with Fireweed, the Corporation was 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.

On September 10, 2021, Big Rock acquired all Fireweed's licences, trademarks and related intellectual property (collectively, the "Fireweed Licences") in exchange for a cash payment of \$0.5 million to settle the license obligation resulting in a gain on extinguishment of \$0.1 million recognized in the consolidated statements of comprehensive loss.

17. LEASE LIABILITIES

As at	December 30, 2021	December 30, 2020
Beginning of year	6,113	1,788
Adjustments on transition to IFRS 16	—	5,028
Additions	450	176
Disposals	(1,319)	—
Interest expense	214	282
Lease payments	(1,092)	(1,161)
End of year	4,366	6,113
Current	738	1,076
Non-current	3,628	5,037

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

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

Big Rock has lease liabilities for contracts related to real estate within buildings, vehicle leases and sale and leaseback arrangements for equipment. The weighted average discount rate for the year ended December 30, 2021 was 4.1 percent (2020 - 4.3 percent).

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 Divestiture as well as a reduction of \$0.3 million of building lease liabilities upon assignment of the building lease to the purchaser.

18. SHARE CAPITAL

Big Rock is authorized to issue an unlimited number of common shares with no par value.

(thousands)	As at December 30,			
	2021		2020	
	# of shares	\$ Amount	# of shares	\$ Amount
Outstanding, beginning of year	6,968	113,792	6,982	113,845
Purchase of shares held in trust	(72)	(471)	(49)	(241)
Shares held in trust issued	50	299	35	188
Outstanding, end of year	6,946	113,620	6,968	113,792

19. SHARE-BASED PAYMENTS

Share-based payments expense, included in general and administrative expenses and recognized in the consolidated statements of comprehensive loss for the years ended December 30, 2021 and 2020 include:

	December 30, 2021	December 30, 2020
Equity settled plans:		
Options expense	53	98
Restricted share unit expense	556	465
	609	563
Cash settled plans:		
SARs fair value adjustments	193	169
Total share-based payments	802	732

Share Option Plan

The Corporation's share option plan consists of share options and performance share options. There were no options or performance share options granted during the year ended December 30, 2021. Share options granted in 2019 vest over four years, with one fifth vesting immediately, followed by one fifth vesting on each subsequent anniversary date. Options granted prior to 2017 vested immediately. All options are exercisable for five years after the grant date.

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

During 2021 and 2020 there were no transactions under the Share Option Plan. The following is a summary of amounts outstanding under Share Option Plan:

As at	December 30, 2021			December 30, 2020		
	# of options	Weighted average exercise price (\$)	Remaining life (years)	# of options	Weighted average exercise price (\$)	Remaining life (years)
Balance, end of year	285,000	6.11	1.31	285,000	6.11	2.31
Exercisable, end of year	228,000	6.33	1.48	181,000	6.23	2.23

At December 30, 2021, 69,000 (December 30, 2020 - 69,000) performance share options were outstanding. The performance share options have an exercise price of \$6.50 per option and expire five years from the grant date. The options vest in tranches of one-third upon the closing price of the Corporation's common shares equalling or exceeding \$8.50, \$10.50 and \$11.50 per share, respectively. No performance options were exercisable at December 30, 2021.

Restricted Share Unit Plan

RSUs vest evenly over three years commencing one year following the grant date. RSUs may be settled in cash, in common shares of the Corporation, or a combination thereof at the discretion of the Board. RSUs are accounted for as equity-settled as the Corporation anticipates RSUs to be settled in common shares of the Corporation.

The following is a summary of transactions under the RSU Plan:

As at	December 30, 2021		December 30, 2020	
	# of RSUs	Weighted average remaining life (years)	# of RSUs	Weighted average remaining life (years)
Balance, beginning of year	181,210	1.47	111,310	1.89
Granted	129,913	2.00	107,508	2.00
Exercised	(67,156)	—	(37,102)	—
Cancelled/forfeited	(17,447)	1.23	(506)	1.87
Balance, end of year	226,520	1.25	181,210	1.47
Exercisable, end of year	—	—	—	—

The weighted average fair value of RSUs granted were estimated using the Black-Scholes pricing model using the following assumptions:

	Year ended December 30	
	2021	2020
Market price at grant (\$)	5.89	4.36
Risk-free interest rate (%)	1.37	0.55
Dividend yield (%)	—	—
Forfeiture rate (%)	—	—
Volatility (%)	43.73	43.45

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

Under the Share Appreciation Rights Plan (“SARs Plan”), the Board may issue an unlimited number of share appreciation rights (“SARs”). The SARs are exercisable for five years after the grant date. The exercise of SARs is settled in cash. SARs granted in 2019 vest over a three-year period, with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date. SARs granted prior to 2017 vested immediately.

The following is a summary of transactions under the SARs Plan:

As at	December 30, 2021			December 30, 2020		
	# of SARs	Weighted average exercise price (\$)	Remaining life (years)	# of SARs	Weighted average exercise price (\$)	Remaining life (years)
Balance, beginning of year	461,796	5.42		439,547	5.78	
Granted	15,428	5.92		96,724	4.47	
Exercised	(87,745)	5.29		(7,495)	5.00	
Forfeited	(10,000)	7.75		(12,980)	4.97	
Expired	(9,000)	5.12		(54,000)	6.82	
Balance, end of year	370,479	5.42	2.13	461,796	5.42	2.83
Exercisable, end of year	328,913	5.49	1.93	362,884	5.62	2.43

The weighted average fair value of the SARs granted was estimated using the Black-Scholes pricing model using the following assumptions:

	Year ended December 30	
	2021	2020
Weighted average exercise price (\$/share)	6.20	4.47
Weighted average fair value (\$)	2.56	1.99
Risk-free interest rate (%)	1.19	0.35
Expected life (years)	4.22	4.92
Dividend yield (%)	—	—
Forfeiture rate (%)	11.67	16.70
Volatility (%)	48.77	48.01

At December 30, 2021, 81,000 (December 30, 2020 - 81,000) performance SARs were outstanding. Performance SARs were granted in 2017 at an exercise price of \$6.50 and expire five years from the grant date. The performance SARs vest in tranches of one-third upon the closing price of the Corporation’s common shares equalling or exceeding \$8.50, \$10.50 and \$11.50 per share, respectively. No performance SARs were exercisable at December 30, 2021.

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

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

20. CAPITAL RISK MANAGEMENT

The Corporation defines its capitalization to include: shareholders' equity, debt, license obligation, lease liabilities less cash balances. There are no externally imposed capital requirements on the Corporation. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern, to support the Corporation's normal operating requirements and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. This allows management to maximize the profitability of its existing assets and create long-term value and enhance returns for its shareholders.

As at	December 30, 2021	December 30, 2020
Cash	(228)	(252)
Debt	10,214	2,949
License obligation	—	605
Lease liabilities	4,366	6,113
Shareholders' equity:		
Shareholders' capital	113,620	113,792
Contributed surplus	2,480	2,170
Accumulated deficit	(84,397)	(81,140)
Total shareholders' equity	31,703	34,822
Total capitalization	46,055	44,237

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

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

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***21. FINANCIAL INSTRUMENTS****Categories of financial instruments**

The Corporation's principal financial instruments are its outstanding amounts drawn from its Operating Facility and Term Debt, which, after cash flow from operations, are its main source of financing. Financial assets and liabilities arising directly from its operations and Big Rock's activities include cash, accounts receivable, accounts payable and accrued liabilities, debt, license obligation and lease liabilities.

Big Rock's financial instruments and their designations are:

Classification of financial instrument	Designated as	As at December 30			
		2021		2020	
		Carrying amount	Fair value amount	Carrying amount	Fair value amount
Financial assets					
Cash	—	228	228	252	252
Accounts receivable	Loans and receivables	2,167	2,167	2,167	2,167
Financial liabilities					
Accounts payable and accrued liabilities	Amortized cost	5,753	5,753	3,985	3,985
Debt	Amortized cost	10,214	10,214	2,949	2,949
License obligation	Amortized cost	—	—	605	605
Lease liabilities	Amortized cost	4,366	4,366	6,113	6,113

Financial risk management objectives and policies

The Corporation's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, debt, license obligations and lease liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

The Corporation currently relies on only a few foreign suppliers providing small amounts of goods and thus has limited exposure to risk due to variations in foreign exchange rates. The Corporation has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors foreign exchange exposure. The Corporation does not have any significant foreign currency denominated monetary liabilities.

Interest rate risk

Big Rock is exposed to interest rate risk on the variable rate of interest incurred on the amounts due under the Operating Facility and Term Debt and on interest earned on bank deposits. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates. For the year ended December 30, 2021, a 1% increase in the prime interest rate would result in additional interest expense of \$0.1 million (2020 - \$0.1 million).

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Credit risk

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

The Corporation also extends credit terms to certain co-packing partners which carries greater risk of incurring financial loss compared to amounts outstanding from provincial liquor boards.

The credit quality of the Corporation's significant customers is monitored regularly, and allowances are provided for potential losses that have been incurred at the period end date. On December 30, 2021, the Corporation recorded an impairment of \$0.9 million against an outstanding receivable from one of its co-packing partners. Receivables that are neither past due, nor impaired are considered collectible. Where concentrations of credit risk exists, management monitors the receivable balances closely to ensure appropriate controls are in place to ensure recovery. At December 30, 2021, 86% of accounts receivables were from ten customers (87% in 2020), including provincial liquor boards and contract customer receivables with 34% of receivables aged over 90 days compared to 7% in the prior year.

Liquidity risk

Big Rock's primary sources of liquidity are its cash flows from operations and existing or new credit facilities. Liquidity risk is mitigated by maintaining banking facilities, continuously monitoring forecast and actual cash flows and, if necessary, adjusting levels of dividends to shareholders and capital spending to maintain liquidity.

Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Corporation's operations. The table presents a maturity analysis of the Corporation's financial liabilities based on the expected cash flow from the reporting date to the contractual maturity date:

	Carrying Amount	Due within one year	Due in one to five years	Due greater than five years
Accounts payable and accrued liabilities	5,753	5,753	–	–
Debt	10,214	2,685	4,984	2,545
Lease liabilities	4,366	738	2,674	954
Total contractual repayments	20,334	9,176	7,658	3,499

Commodity price risk

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

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

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

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

Each provincial authority has its own tax or "mark-up" structure by which fees are levied on brewers' sales within that jurisdiction. These regulations may be changed from time to time, which may positively or negatively impact Big Rock's profitability. The Corporation has adopted a proactive approach with provincial governments and continues to evaluate its long-term business plan in order to mitigate the risk of future mark-up rate structure fluctuations.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management includes members of the Board, President and Chief Executive Officer, Chief Financial Officer, Vice President, Operations, Vice President, Sales and the Director, Business Development and Government Relations. The remuneration is included in cost of sales and general and administrative expenses and is comprised as follows:

	Year ended December 30	
	2021	2020
Salaries and other short-term benefits	1,232	1,149
Share-based payments	437	347
Total compensation	1,669	1,496

23. SUPPLEMENTAL CASH FLOW DISCLOSURES

	Year ended December 30	
	2021	2020
Cash provided by (used in):		
Accounts receivable	427	(949)
Inventories	(1,571)	(985)
Prepaid expenses and deposits	(76)	48
Current taxes receivable	158	(429)
Accounts payable and accrued liabilities	1,768	936
Total change in non-cash working capital	706	(1,379)
Total change in non-cash working capital allocated to:		
Operating	174	(1,379)
Investing	532	-
	706	(1,379)
Supplemental cash-flow information		
Interest paid	423	473
Taxes paid	-	92

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***24. SEGMENTED INFORMATION**

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

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

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

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

Profit (Loss) by Segment

Year ended December 30	Wholesale		Retail		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
Net Revenue	45,158	43,484	2,385	1,395	(1,561)	(895)	45,982	43,984
Cost of sales	29,915	26,498	2,806	1,896	(1,561)	(895)	31,160	27,499
Gross profit	15,243	16,986	(421)	(501)	—	—	14,822	16,485
Selling expenses	10,527	9,281	52	6	—	—	10,579	9,287
Segment profit (loss)	4,716	7,705	(473)	(507)	—	—	4,243	7,198
General and administrative							5,590	5,096
Depreciation and amortization							664	736
Impairment of property, plant and equipment							—	1,500
Operating loss							(2,011)	(134)
Finance expenses							1,373	506
Loss on disposition - net							767	—
Gain on extinguishment of liabilities							(53)	—
Other income							(22)	(12)
Loss before income taxes							(4,076)	(628)

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

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

25. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2022	2023	2024	2025	2026	Total
Utilities contracts	52	52	52	52	43	251
Raw material purchase commitments	1,472	339	211	–	–	2,022
Marketing sponsorships	212	58	60	–	–	330
Total	1,736	449	323	52	43	2,603

26. GOVERNMENT ASSISTANCE

Big rock applied for government assistance and has been successful in receiving the Canada Emergency Wage Subsidy (“CEWS”). During the year ended December 30, 2021, Big Rock received CEWS of \$0.1 million (2020 - 0.9 million). Government assistance has been recorded as a deduction to cost of sales, selling expenses and general and administrative expense on the consolidated statements of comprehensive loss.

27. COMPARATIVE AMOUNTS

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