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 nine months ended September 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 nine months ended September 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 November 2, 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.

THIRD QUARTER 2021 HIGHLIGHTS

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

- sales volumes down 6% to 47,367 hectolitres ("**hl**") compared to 50,367 hl;
- net revenue increased to $13.0 million from $12.8 million;
- operating income down 73% to $0.4 million compared to $1.5 million;
- Adjusted EBITDA (See "*Non-GAAP Measures*") down 52% to $1.3 million from $2.7 million;
- net income down 77% to $0.2 million compared to $1.0 million; and
- acquisition of Fireweed Licenses (as defined below) in exchange for the settlement of the corresponding license obligation resulting in a $0.1 million gain.

For the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, the Corporation reported:

- sales volumes down 3% to 129,201 hl from 133,550 hl;
- net revenue up 11% to $37.2 million from $33.7 million;
- operating income down 44% to $0.9 million compared to $1.6 million;
- Adjusted EBITDA down 22% to $4.1 million from $5.2 million;
- net income down to $0.6 million from $0.7 million;
- capital spending of $5.4 million of the total $9.5 million 2021 capital program; and
- $8.0 million drawn on total credit facilities of $16 million.

The Corporation's on-premise sales volumes continued to be impacted by COVID-19 restrictions. In addition, market trends of declining beer consumption has contributed to an overall year-over-year decline in the Corporation's sales volumes however the rate of decline is consistent with the beer industry's national average and below Alberta's provincial average decline. Partially offsetting the declines in beer sales is the Corporation's growth in the "Ready-to-Drink" category ("**RTD**") which is currently outpacing the overall industry growth. Licensed and partner brands have continued to provide additional exposure to the RTD category that continues to grow nationally, and the Corporation has had success in adapting to meet this noticeable shift in market demand.

As previously disclosed, in the second quarter of 2021, the Corporation's Alberta mark-up on cider and RTD products increased from $0.32 per litre to $1.81 per litre and thus a considerable decline in net revenue for such products. Despite these trends, in the third quarter of 2021, the Corporation achieved a marginal increase in net revenue of $0.2 million, to $13.0 million, as compared to the same period in 2020. This increase is mainly attributed to the increase in co-packing revenue which has offset the overall decline in the Corporation's revenue from sales volumes.

Although net revenue on both a quarter-over-quarter and year-over-year basis has increased, higher than anticipated costs have contributed to the overall declines to operating income, Adjusted EBITDA and net income. Global supply chain disruptions have been the primary driver behind higher market prices impacting utilities, delivery and distribution costs as well as certain raw ingredient and material costs. These supply disruptions have also impacted lead times on the delivery of certain production inputs which has contributed to operating inefficiencies. In addition, the Corporation experienced higher than anticipated labour costs in the Calgary facilities while the strategic capital plan is being completed and the business transitions to position itself for significant growth in production and packaging volumes. In order to stabilize margins going forward into 2022, the Corporation is taking measures to manage potential future cost volatility by securing cost certainty through contract renegotiations, operational efficiency projects, increasing our supplier network, hedging and other cost mitigation strategies.

At the end of the third quarter, the Corporation had higher than expected inventory levels because of slowing demand impacting the latter half of the third quarter combined with the build of raw materials and packaging related to contractual arrangements with suppliers. Although slower seasonal demand is expected during the fourth quarter, the Corporation is expected to be able to manage production and shipments throughout the fourth quarter to right-size inventory levels by the end of the year.

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 nine months ended September 30, 2021, the Corporation has drawn a combined $5.7 million under its credit facilities resulting in $8.0 million outstanding on its total credit facilities available of $16.0 million at the end of the third quarter. The amounts drawn are primarily related to the funding of the Corporation's 2021 strategic capital program.

The settlement of the Corporation's Fireweed license obligation during the third quarter along with the settlement of the Corporation's equipment lease liabilities associated with its Etobicoke assets in the second quarter has optimized the Corporation's capital structure. The Corporation expects that the proceeds that will be realized through the inventory reduction initiatives that have been undertaken during the fourth quarter will have an offsetting effect against remaining fourth quarter planned capital spending which will maintain the Corporation’s financial flexibility to drive growth moving into 2022.

The Corporation’s strategic 2021 capital plan is well underway as the Corporation incurred $5.4 million against the $9.5 million 2021 capital plan consisting of $4.5 million of expansion capital, $0.5 million on IT digital transformation projects and $0.4 million on maintenance capital.

The packaging expansion capital portion of the Corporation's 2021 capital plan remains on budget. However, the commissioning date of the new packaging equipment was deferred several weeks due to shipping delays linked to global supply chain issues. The equipment is currently onsite and being installed at the Calgary facility and is expected to be fully commissioned by the middle of the fourth quarter of 2021.

The Corporation continues to progress on the IT digital transformation portion of the Corporation's 2021 capital plan which has been focused on improving operational efficiencies across all aspects of the business. The upgrades include the development of a new sales portal that will be available to the Corporation's Alberta based wholesale customers as well as IT upgrades and enhancements, which are complimentary to the packaging equipment upgrades, in support of improving supply and demand planning, warehouse management and overall cost visibility to improve cost management and strategic planning. Although these projects are expected to remain on budget, the timeline to completion has been extended into 2022 which will result in a shift of approximately $0.4 million of the planned $1.25 million into 2022.

$000, except hl and per share amounts	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Sales volumes (hl)[1]	47,367	50,367	129,201	133,550
Gross revenue	$ 17,969	$ 17,830	$ 50,898	$ 47,273
Net revenue	12,982	12,822	37,271	33,676
Cost of sales	8,444	7,555	23,843	20,506
Operating income	354	1,512	921	1,645
Adjusted EBITDA[2]	1,335	2,695	4,102	5,216
Net income	237	1,028	568	706
Income per share (basic)	$ 0.03	$ 0.15	$ 0.08	$ 0.10
Income per share (diluted)	$ 0.03	$ 0.14	$ 0.08	$ 0.10
$ per hl				
Net revenue	$ 274.07	$ 254.41	$ 288.47	$ 252.16
Cost of sales	$ 178.27	$ 150.00	$ 184.54	$ 153.55

(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 moves into the completion and commissioning phase of its strategic 2021 capital expansion program, the focus will continue to be centered on attracting additional production volume that will be enabled by expanded production capacity combined with new production capabilities associated with pasteurization and other enhancements that support expanded product packaging formats. The Corporation continues to pursue new co-packing arrangements to fulfill this anticipated available capacity enabled by the capital expansion plan in the fourth quarter of 2021 and into 2022. In the interim, the Corporation has experienced higher labour costs as the business is in a transitional phase to position itself for significant production and packaging growth at the Calgary facilities.

The Corporation continues to pursue growth opportunities with respect to distribution and sales agency agreements as these initiatives aim to broaden the Corporation's revenue streams. Process and technology upgrades as part of the Corporation's IT Digital Transformation capital program with respect to improving warehousing and logistics capabilities are underway and are expected to provide a strong platform to deliver these value-added services as part of the expansion of our co-packing business as we move forward into 2022.

The Corporation continues to see strength in its White Peaks brand which was launched during the first half of 2021 and plans to continue to build on this innovation going forward into 2022. The Corporation continues its development of new product innovations for roll out in 2022.

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:

($000, except hl and per share amounts)	**Q3/21**	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
Sales volumes (hl) [1]	**47,367**	46,233	35,600	39,446	50,367	46,693	36,490	37,361
Net revenue	**12,982**	13,690	10,599	10,308	12,822	11,926	8,928	9,539
Cost of sales	**8,444**	8,312	7,087	6,993	7,555	7,095	5,856	7,511
Operating income (loss)	**354**	1,068	(501)	(1,779)	1,512	1,062	(929)	(1,615)
Adjusted EBITDA[2]	**1,325**	1,978	789	634	2,695	2,501	20	(637)
Net income (loss)	**237**	786	(455)	(1,372)	1,028	570	(892)	(1,297)
Per share amounts (basic & diluted)	**$ 0.03**	$ 0.11	$ (0.07)	$ (0.20)	$ 0.15	$ 0.08	$ (0.13)	$ (0.19)
$ Per hl Amounts[1]								
Net revenue	**274.07**	296.11	297.72	261.32	254.57	255.41	244.67	255.32
Cost of sales	**178.27**	179.98	199.07	177.28	150.00	151.95	160.48	201.04
Selling expenses	**58.06**	60.95	63.12	52.81	49.02	46.77	69.91	62.47
General & administrative	**26.83**	28.70	44.75	38.25	20.81	28.59	33.00	31.56
Operating income (loss)	**7.47**	23.10	(14.07)	(45.10)	30.02	22.74	(25.46)	(43.23)
Net income (loss)	**5.00**	17.00	(12.78)	(34.78)	20.41	12.21	(24.45)	(34.71)

(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 decreased year-over-year by 20% despite increased revenues as a result of higher cost of goods sold, caused by higher market prices on utilities and raw materials combined with increased labour and lower overhead absorption associated with declining production volume.

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 September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Net income (loss)	$ 237	$ 1,028	(719)	$ 568	$ 706	(138)
Addback:						
Interest	104	111	(7)	321	391	(70)
Taxes	115	375	(260)	296	552	(256)
Depreciation and amortization	829	978	(149)	2,504	2,965	(461)
Share based payments	151	203	(52)	657	602	55
Gain on disposal of assets	(12)	–	(12)	(155)	–	(155)
Gain on extinguishment of license obligation	(89)	–	(89)	(89)	–	(89)
Adjusted EBITDA(1)	$ 1,335	$ 2,695	(1,360)	$ 4,102	$ 5,216	(1,114)

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

Although overall net revenues for both the three and nine months ended September 30, 2021 contributed to increases to Adjusted EBITDA in comparison to the prior periods, this was mitigated by the impact of $0.9 million in Canadian Emergency Wage Subsidy payments received during the nine months ended September 30, 2020 and increased operational costs in 2021.

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 nine months ended September 30, 2021, followed by BC and Saskatchewan.

($000, except sales volumes)	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Sales volumes (hl)	47,367	50,367	(3000)	129,201	133,550	(4,349)
Gross revenue	$ 17,969	$ 17,830	$ 139	$ 50,898	$ 47,273	$ 3,625
Federal excise taxes	(1,080)	(1,689)	609	(4,233)	(4,900)	667
Provincial liquor tax programs	(3,907)	(3,319)	(588)	(9,394)	(8,697)	(697)
Net revenue	$ 12,982	$ 12,822	$ 160	$ 37,271	$ 33,676	$ 3,595
Net revenue by segment						
Wholesale	$ 12,368	$ 12,501	$ (133)	$ 35,426	$ 32,797	$ 2,629
Retail	614	322	292	1,845	879	966
Net revenue	$ 12,982	$ 12,822	$ 159	$ 37,271	$ 33,676	$ 3,595
$ per hl						
Wholesale net revenue	$ 261.11	$ 248.19	$ 12.92	$ 274.19	$ 245,58	$ 28.62

Total sales volumes for the three and nine months ended September 30, 2021 decreased by 6.0% and 3.3%, respectively, which was mainly driven by reduced keg sales due to ongoing COVID-19 restrictions coupled with a decrease in Alberta Genuine Draft sales volumes as value brands in retail are down relative to the same time period in 2020, slightly offset with an increase in premium brand volumes. Overall change in sales volumes for the nine months ended September 30, 2021 correlates with market trends.

The 1.2% and 10.7% increase in net revenue to $13.0 million and $37.2 million for the three and nine months ended September 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 decreased by $0.1 million (1.1%) for the three months ended and increased by $2.6 million (8.0%) for the nine months ended September 30, 2021, compared to the same periods in 2020, driven by a decrease in sales volumes in the quarter and an increase in revenue from co-packing arrangements, licensed and private brands in the nine months ended September 30, 2021.

Retail Revenue

The 91% and 110% increase in retail net revenue for the three and nine months ended September 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, all physical locations were open with provincial health restrictions being followed.

Cost of Sales

($000, except where indicated)	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Operating expenses	$ 6,030	$ 5,382	$ 648	$ 16,591	$ 14,362	$ 2,229
Salaries and benefits	1,748	1,433	315	5,249	3,913	1,366
Depreciation and amortization	666	740	(74)	2,003	2,231	(228)
Cost of sales	$ 8,444	$ 7,555	$ 889	$ 23,843	$ 20,506	$ 3,337
Percentage of revenue	65.0%	58.9%		64.0%	60.9%	

Cost of sales for the three and nine months ended September 30, 2021 increased 11.8% and 16.3% compared to the same periods in 2020. This increase is primarily a result of increased salaries and benefits (with $0.5 million in wage subsidies received in the nine months ended September 30, 2020) and direct material increases associated with higher market prices of utilities, raw materials and logistic services combined with higher labour costs in the Calgary facilities as the strategic capital plan is being completed and the business positions itself to support significantly higher production volumes.

Cost of sales as a percentage of net revenue for the three and nine months ended September 30, 2021 increased 6.1% and 3.1% as a result of the reasons outline above along with increased filtration related to the changing production mix and increased temporary labour charges related to variety pack demand.

Selling and Marketing Expenses

($000, except where indicated)	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Delivery and distribution costs	$ 1,043	$ 983	$ 60	$ 2,801	$ 2,621	$ 180
Salaries and benefits	757	709	48	2,639	2,341	298
Marketing and sales expenses	950	777	173	2,375	2,242	133
Selling and marketing expenses	$ 2,750	$ 2,469	$ 281	$ 7,815	$ 7,204	$ 611
Percentage of revenue	21.2%	19.3%		21.0%	21.4%	

Selling expenses increased by $0.3 million and $0.6 million for the three and nine months ended September 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 nine months ended September 30, 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 September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Salaries and benefits	$ 410	$ 362	$ 48	$ 1,673	$ 1,563	$ 110
Share based payments	151	203	(52)	657	602	55
Professional fees	186	283	(97)	586	709	(123)
Other administrative expenses	524	200	324	1,275	713	562
General and administrative expenses	$ 1,271	$ 1,048	$ 223	$ 4,191	$ 3,587	$ 604
Percentage of revenue	9.8%	8.2%		11.2%	10.7%	

General and administrative expenses increased slightly as a percentage of revenue for the three and nine months ended September 30, 2021 compared to the same periods in 2020 by 1.6% and 0.6%, respectively. Salaries and wages increased due to $0.1 million in wage subsidies received in the nine months ended September 30, 2020. The decrease in professional fees is a result of a decrease in consultancy fees relative to the prior year periods offset with an increase in other administrative expenses related to the outsourcing of IT managed services, recruiting and increased business insurance costs.

Depreciation and Amortization

Depreciation and amortization expenses were $0.8 million and $2.5 million for the three and nine months ended September 30, 2021, respectively, compared to $1.0 million and $3.0 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 in the second quarter of 2021.

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 September 30	Wholesale 2021	Wholesale 2020	Retail 2021	Retail 2020	Eliminations 2021	Eliminations 2020	Consolidated 2021	Consolidated 2020
Net Revenue	$ 12,702	$ 12,754	$ 614	$ 322	$ (334)	$ (254)	$ 12,982	$ 12,822
Cost of sales	8,126	7,303	652	506	(334)	(254)	8,444	7,555
Gross profit	4,576	5,451	(38)	(184)	–	–	4,538	5,267
Selling expenses	2,742	2,468	8	1	–	–	2,750	2,469
Segment profit (loss)	$ 1,834	$ 2,983	$ (46)	$ (185)	$ –	$ –	$ 1,788	$ 2,798
General and administrative cost							1,271	1,048
Depreciation and amortization							163	238
Operating income							354	1,512
Finance expense							104	111
Gain on dispositions							(12)	–
Gain on extinguishment of liabilities							(89)	–
Other							(1)	(2)
Income before income taxes							$ 352	$ 1,403

Nine months ended September 30	Wholesale 2021	Wholesale 2020	Retail 2021	Retail 2020	Eliminations 2021	Eliminations 2020	Consolidated 2021	Consolidated 2020
Net Revenue	$ 36,746	$ 33,306	$ 1,845	$ 879	$ (1,320)	$ (509)	$ 37,271	$ 33,676
Cost of sales	22,990	19,506	2,173	1,509	(1,320)	(509)	23,843	20,506
Gross profit	13,756	13,800	(328)	(603)	–	–	13,428	13,170
Selling expenses	7,788	7,200	27	4	–	–	7,815	7,204
Segment profit (loss)	$ 5,968	$ 6,600	$ (355)	$ (634)	$ –	$ –	$ 5,613	$ 5,966
General and administrative cost							4,191	3,587
Depreciation and amortization							501	734
Operating income							921	1,645
Finance expense							321	391
Gain on dispositions							(155)	–
Gain on extinguishment of liabilities							(89)	
Other							(20)	4
Income (loss) before income taxes							$ 864	$ 1,258

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

As at ($000)	September 30, 2021	December 30, 2020
Cash	$ —	$ (252)
Debt (2)	7,957	2,949
License obligation (2)	—	605
Net debt (1)	7,957	3,302
Shareholders' equity:		
Shareholders' capital	113,517	113,792
Contributed surplus	2,402	2,170
Accumulated deficit	(80,572)	(81,140)
Total shareholders' equity	35,347	34,822
Total capitalization (1)	$ 43,304	$ 38,124
Net debt to total capitalization ratio (1)	18.4%	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 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

Net working capital is a non-GAAP measure and is defined as current assets less accounts payable and accrued liabilities (see *"Non-GAAP Measures")*. The Corporation's net working capital surplus increased to $2.6 million as at September 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 due to increased raw materials and packaging on hand as a result of purchasing commitments and higher levels of inventory held in tank and in finished goods caused by lower than expected sales volumes in the back half of the third quarter. These balances are partially offset by higher accounts payable and accrued liabilities associated with the increased inventory. The Corporation expects receivables and inventory balances to decline over the fourth quarter and be converted to cash as the Corporation adjusts production and shipments. Such proceeds are expected to be applied as a reduction to payables and debt.

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 nine months ended September 30, 2021, the Corporation has drawn an additional $3.0 million from the $10 million of Term Debt and has drawn an additional $2.7 million against its Operating Facility to fund the 2021 capital expansion program. The Corporation also repaid $0.6 million in debt which was applied against the Term Debt. Details on amounts outstanding under these facilities are as follows:

($000)	September 30, 2021	December 30, 2020
Operating Facility – principal	$ 2,707	—
Term Debt - principal and accrued interest	5,321	$ 2,949
Debt issue costs	(71)	—
	7,957	2,949
Current portion	**$ 3,503**	$ 470
Long term debt	**$ 4,454**	$ 2,479

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

	Expiry date	September 30, 2021	December 30, 2020
Tranche 1	April 30, 2025	809	994
Tranche 2	February 28, 2026	1,012	1,203
Tranche 3	September 9, 2027	656	752
Tranche 4	February 28, 2031	2,844	—
Total term debt outstanding		**$ 5,321**	$ 2,949

At September 30, 2021, the Corporation had $3.3 million available on its Operating Facility and $4.7 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 September 30, 2021, the Corporation was in compliance with these financial covenants.

License Obligation

As at	September 30, 2021	December 30, 2020
Current portion	$ –	$ 185
Long term portion	–	420
	$ –	$ 605

On October 18, 2018, the Corporation closed an asset purchase and licensing transaction with 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 Licenses") in exchange for the settlement of the license obligation which was a cash payment of $0.5 million resulting in a gain on the extinguishment of the license obligation of $0.1 million.

Lease Liabilities

Big Rock currently has lease liabilities for contracts related to real estate and vehicle leases.

As at	September 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	167	282
Lease payments	(855)	(1,161)
Lease liabilities, end of period	**$ 4,336**	$ 6,113
Current	**$ 728**	$ 1,076
Long-term	**$ 3,608**	$ 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 nine months ended September 30, 2021, a total of $5.4 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 $4.5 million, $0.5 million has been spent on modernizing the Corporation's information technology as it relates to sales, marketing and finance processes and the remaining $0.4 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 53,645 common 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
- 260,699 restricted share units.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2022	2023	2024	2025	2026	thereafter
Utilities contracts	$ 52	$ 52	$ 52	$ 52	$ 43	$ —
Raw material purchase commitments	1,472	339	211	—	—	—
Marketing sponsorships	108	—	—	—	—	—
Total	**$ 1,632**	**$ 391**	**$ 263**	**$ 52**	**$** 43	**$** —

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 Corporation's 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 Corporation's 2020 Annual Information Form (**"AIF"**) available on the Corporation's 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 nine months ended September 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 July 1, 2021 and ended September 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" and "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 Corporation's 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, gains and losses on disposal of assets and gain on extinguishment of license obligation. A reconciliation of Adjusted EBITDA to net loss, the nearest GAAP measure, is contained under "*Results of Operations – Adjusted EBITDA*".

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;
- the timing of the completion of Big Rock's 2021 capital program, including the installation and commissioning of components thereof;
- the Corporation's anticipated brewing and packaging capacity and plant utilization levels;
- the Corporation's ability to realize proceeds through the inventory reduction initiatives;
- Big Rock's growth strategy for owned and co-packed volumes produced in Calgary over the coming years;
- the anticipated benefits, cost and 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 commissioning of the new packaging equipment and anticipated cost and timing thereof;
- Big Rock's expectations that receivables and investor balances will decline and be converted to cash as the Corporation adjusts products and shipments and the intended use of such proceeds;
- the Corporation's continued growth in the Corporation's distribution and sales agency agreements and Big Rock's ability to broaden is revenue streams; and
- expectations that the Corporation continues to see growth in the White Peaks brand and the Corporation's ability to develop and rollout new product innovations.

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
- continued 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.