



BIG ROCK BREWERY INC. ANNOUNCES FISCAL 2022 RESULTS & INITIATION OF STRATEGIC REVIEW

March 29, 2023 — Calgary, Alberta — Big Rock Brewery Inc. (TSX: BR) (“Big Rock” or the “Corporation”) today announced its financial results for the three months and year ended December 30, 2022.

“2022 was a challenging year due to a combination of operational concerns as a result of the growth in our co-packing business and related inventory management issues” said interim President and Chief Executive Officer Stephen Giblin. “In response to the Corporation’s operating results and the Corporation’s breach in the third quarter of financial covenants under its credit facilities with ATB Financial, the Board of Directors enacted significant changes. In the fourth quarter of 2022, the Corporation: changed its Chief Executive Officer, secured a \$4.3 million capital injection from a major shareholder, VN Capital Fund I, LP, amended the terms of its credit facilities with ATB Financial, and re-structured its senior management team. The Corporation also posted significant one-time charges of \$2.4 million that included \$1.4 million of inventory write-downs, \$0.2 million of fixed asset write-downs, and \$0.8 million of charges related to the re-structuring. We were also pleased to announce a new multi-year agreement with Browns Social House Ltd. which we feel is a strong testament to the quality and character of the Big Rock brand. As a result of significant organizational streamlining in sales, production, and fulfilment, the Corporation is now much better-positioned to continue to not only focus on the growth of both the branded and co-pack business, but to deliver this growth with profitability at the forefront.”

Big Rock also announces that it has initiated a process to evaluate potential strategic alternatives with a view to enhancing shareholder value (the “**Strategic Review**”). The Strategic Review will be lead by a special committee (the “**Special Committee**”) of the Board of Directors of the Corporation (the “**Board**”), which has engaged Acumen Capital Finance Partners Limited as strategic advisor to the Special Committee. The Special Committee will review the Corporation’s operations and investigate alternate courses of actions including, but not limited to, further cost reductions, restructuring, refinancing, a potential sale of all or part of the Corporation’s assets, a business combination with another party or other strategic initiatives.

Big Rock has not set a definitive schedule to complete its identification, examination and consideration of strategic alternatives. The Corporation does not intend to comment further on the Strategic Review, unless and until the Board has approved a specific course of action or otherwise determined that further disclosure is appropriate or required by law. The Strategic Review has not been initiated as a result of receiving any offer and we caution that there are no assurances or guarantees that the process will result in a transaction or, if a transaction is undertaken, the terms or timing of such a transaction.

Financial Summary

For the three months ended December 30, 2022, compared to the three months ended December 30, 2021, the Corporation reported:

- sales volumes up 4% to 35,564 hectolitres (“hl”) compared to 34,429 hl;
- net revenue increased by 21% to \$10.5 million from \$8.7 million;
- operating loss increased by 30% to \$3.8 million compared to \$2.9 million;
- net loss increased by \$0.4 million to \$4.2 million; and
- Adjusted EBITDA (See “*Non-GAAP Measures*”) decreased to negative \$3.8 million from negative \$2.9 million. Adjusted EBITDA is a non-GAAP financial measure, see “*Non-GAAP Measures*”.

For the year ended December 30, 2022, compared to the year ended December 30, 2021, the Corporation reported:

- sales volumes down 3% to 158,496 hl from 163,630 hl;
- net revenue up 2% to \$47.1 million from \$46.0 million;
- operating loss increased to \$6.9 million from \$2.0 million;
- net loss increased to \$7.1 million from \$3.3 million;
- Adjusted EBITDA decreased from \$2.1 million to a loss of \$3.4 million;
- capital spending of \$1.3 million of the Corporation's total \$1.4 million 2022 capital program; and
- \$13.8 million drawn on total credit facilities of \$16.0 million.

Fourth Quarter Summary

- total sales volumes for the fourth quarter of 2022 increased by 3.6%, driven primarily by increased private label on and off-premise sales that grew approximately 33% over 2021;
- cost of sales increased significantly, however, this was driven almost exclusively by a \$1.4 million dollar inventory write-off that was captured in the fourth quarter of 2022 that contains expired inventory dating back to 2021;
- inflationary pressures continued from the third quarter primarily in utilities, distribution, and key raw materials; and
- retail revenue decreased significantly in the fourth quarter of 2022 compared to 2021, driven by the closure of the Vancouver restaurant and tap room in early 2022.

In direct response to the operational and inventory management issues that the Corporation experienced in 2022, significant measures have been implemented to revise and optimize the sales and production processes across the business. These initiatives have been implemented to enable Big Rock to better realize the benefits of the growth in co-pack production going forward. The Corporation aims to gain market share in an otherwise declining beer market, and “premiumize” its portfolio via innovation and co-creation with strategic partners. Big Rock takes significant pride in their owned brands and is focused on continuing the tradition of innovation that the Corporation was founded upon over 35 years ago.

Summary of Results

\$000, except hl and per share amounts	Three months ended December 30		Year ended December 30	
	2022	2021	2022	2021
Sales volumes (hl) ⁽¹⁾	35,564	34,429	158,496	163,630
Gross revenue	\$ 13,471	\$ 12,135	\$ 63,918	\$ 63,033
Net revenue	10,548	8,711	47,098	45,982
Cost of sales	10,132	7,317	36,616	31,160
Adjusted EBITDA ⁽²⁾	(3,484)	(1,954)	(3,388)	2,148
Operating income (loss)	(3,815)	(2,932)	(6,919)	(2,011)
Net income (loss)	(4,188)	(3,825)	(7,101)	(3,257)
Income (loss) per share (basic and diluted)	\$ (0.60)	\$ (0.55)	\$ (1.02)	\$ (0.47)

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

⁽²⁾ Non-GAAP financial measure. See “Non-GAAP Measures”.

Alberta Government Markup Update

The Government of Alberta and the Alberta Gaming Liquor and Cannabis Commission (“AGLC”) have announced that beginning March 2023, forward Annual Worldwide Production (“AWP”) will exclude volume produced under co-packing agreements. This change not only avoids double-taxation for Big Rock’s co-pack customers, but also allows Big Rock to grow the co-pack portion of its business without negatively impacting the markup tax applied to its Big Rock branded products sold in Alberta.

The focus of both the Government of Alberta and the AGLC on reducing red tape and growing beverage manufacturing within the province continues to support Big Rock's strategic goals for growth and innovation.

Additional Information

The audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 30, 2022 dated March 29, 2023, can be viewed on Big Rock's website at www.bigrockbeer.com and on SEDAR at www.sedar.com under Big Rock Brewery Inc.

Big Rock is also pleased to announce that the Annual Meeting of Big Rock shareholders will be held on May 25, 2023 at 2:00 p.m. (Mountain Standard Time). Further details of the Annual Meeting will follow in due course.

NON-GAAP MEASURES

The Corporation uses certain financial measures referred to in this press release to quantify its results that are not prescribed by Generally Accepted Accounting Principles ("GAAP"). These financial measures do not have any standardized meaning under the Corporation's GAAP and therefore may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA is a non-GAAP financial measure that the Corporation uses to measure operating performance and borrowing capacity. The calculation of Adjusted EBITDA and the reconciliation between Adjusted EBITDA and net income (loss), which is the most directly comparable financial measure in accordance with GAAP, is as follows:

(\$000, except where indicated)	Three months ended December 30			Year ended December 30		
	2022	2021	Change	2022	2021	Change
Net income (loss)	\$ (4,188)	\$ (3,825)	\$ (363)	\$ (7,101)	\$ (3,257)	\$ (3,844)
Addback:						
Interest	360	122	238	982	443	539
Taxes	(1,155)	(1,115)	(40)	(1,967)	(819)	(1,148)
Depreciation and amortization	1,245	831	414	3,861	3,335	526
Impairment on customer receivables	—	930	(930)	—	930	(930)
Share based payments	(28)	145	(173)	600	802	(202)
Gain on disposal of assets	282	922	(640)	237	767	(530)
Gain on extinguishment of license obligation	—	36	(36)	—	(53)	53
Adjusted EBITDA ⁽¹⁾	\$ (3,484)	\$ (1,954)	\$ (1,530)	\$ (3,388)	\$ 2,148	\$ (5,536)

Adjusted EBITDA in the three months ended December 30, 2022 decreased by \$1.5 million in comparison to the prior year's quarter. This decrease is driven primarily due to a write-off of \$1.4 million of inventory from expired inventory dating back to 2021, \$0.4 million of asset write-downs and \$0.8 million of one-time charges related to the re-structuring in the fourth quarter of 2022.

Forward-Looking Information

Certain statements contained in this news release constitute forward-looking statements. These statements relate to future events or Big Rock's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking information are not facts, but only predictions 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 involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Big Rock believes that the expectations reflected in those 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 news release should not be unduly relied upon by readers, as actual results may vary materially from such forward-looking statements. These statements speak only as of the date of this news release and are expressly qualified, in their entirety, by this cautionary statement. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

In particular, this news release contains forward-looking statements pertaining to the following:

- that the Corporation is better-positioned to focus on the growth of its branded and co-pack businesses with profitability at the forefront;
- that operational and inventory management initiatives implemented will enable Big Rock to better realize the benefits of the growth in co-pack production;
- the Corporation's aim to gain market share in an otherwise declining beer market;
- Big Rock's aim to "premiumize" its portfolio via innovation and co-creation with its strategic partners;
- anticipated market trends;
- the anticipated benefits to be derived from the AGLC's changes to the calculation of AWP;
- that the Government of Alberta and the AGLC's focus on reducing red tape continues to support Big Rock's strategic goals for growth and innovation; and
- the anticipated timing of Big Rock's Annual Meeting of the shareholders and that further details in connection therewith will follow in due course.

With respect to the forward-looking statements listed above and contained in this news release, management has made assumptions regarding, among other things:

- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will not materially increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates;
- there will be no material supply issues with Big Rock's vendors;
- the Board of Director changes implemented will result in the Corporation being better-positioned to focus on growth of the branded and co-pack businesses with profitability at the forefront;
- that Big Rock's operational and inventory management initiatives implemented will enable Big Rock to better realize the benefits of the growth in co-pack production going forward;
- that Big Rock can "preminimize" its portfolio through innovation and co-creation with its strategic partners; and
- that the Government of Alberta and the AGLC's focus on reducing red tape supports Big Rock's strategic goals for growth and innovation.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include the risk factors set out in the Corporation's annual information form for the year ended December 30, 2022, which is available on SEDAR at www.sedar.com, and also include, but are not limited to:

- the inability to maintain the current AGLC beer mark-up policy in Alberta;
- the inability to maintain the current AGLC mark-up rates applicable to “Ready-to-Drink” beverages in Alberta;
- the inability to grow demand for Big Rock’s products;
- the inability to fill Big Rock’s production capacity and grow volume with co-packing agreements;
- that the Corporation may not be better-positioned to focus on the growth of its branded and co-pack businesses;
- the risk that Big Rock may not remediate operational and inventory management issues as they arise;
- the risk that Big Rock may not gain market share in the beer market;
- the risk that Big Rock may not “premiumize” its portfolio through innovation and co-creation with its strategic partners; and
- the risk that the Government of Alberta and the AGLC’s focus on reducing red tape may not support Big Rock’s strategic goals for growth and innovation.

This press release contains information that may be considered a financial outlook under applicable securities laws about the Corporation’s potential financial position, including, but not limited to, the anticipated benefits to be derived from the AGLC’s changes to the calculation of AWP, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this press release and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about the Corporation’s potential future business operations. Readers are cautioned that the financial outlook contained in this press release is not conclusive and is subject to change.

About Big Rock Brewery Inc.

In 1985, Ed McNally founded Big Rock to contest the time’s beer trends. Three bold, European-inspired offerings - Bitter, Porter and Traditional Ale - forged an industry at a time heavy on easy drinking lagers and light on flavour. Today, our extensive portfolio of signature beers, ongoing seasonal offerings, ciders (Rock Creek Cider® series), custom-crafted private label products and other notable, licensed alcoholic beverages keeps us at the forefront of the craft beer revolution and still proudly contesting the beer and alcoholic beverage trends of today. Big Rock has brewing operations in Calgary, Alberta, Vancouver, British Columbia, and Toronto, Ontario. Big Rock trades on the TSX under the symbol “BR”. For more information on Big Rock visit www.bigrockbeer.com

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