

March 28, 2024

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 MNP 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) "David Kinder"
David Kinder
Chief Executive Officer

(signed) "Michael S. Holditch"
Michael S. Holditch
Interim Chief Financial Officer

To the Shareholders of Big Rock Brewery Inc.:

Opinion

We have audited the consolidated financial statements of Big Rock Brewery Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as at December 30, 2023 and December 30, 2022, 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, 2023 and December 30, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Corporation has incurred a net operating loss during the year ended December 30, 2023. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Inventory Valuation

Key Audit Matter Description

Inventory comprises raw materials, work-in-process and finished goods and is carried at the lower of cost and net realizable value. Inventory cost is determined using expenditures incurred to acquire the raw materials and convert the materials into finished goods. Net realizable value is determined using the estimated selling price in the ordinary course of business, less estimated costs to finish and sell the products. The accounting policy choice is described in Note 3 and inventory details is described in Note 11 to the consolidated financial statements.

Due to the level of estimation involved in determining the inventory obsolescence provision and the costs to convert to finished goods, we have determined that inventory is a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to the valuation and measurement of inventory. Our audit work in relation to this included, but was not limited to, the following:

- Obtained an understanding of the Corporation's controls and tested the design and implementation of those controls, including those related to management's process for developing the estimates used in the determination of net realizable value and the inventory obsolescence provision;
- Obtained an understanding of how the standard costs were calculated and the estimates therein and tested the inputs used to derive the standard costs for each type of product. Assessed management's analysis of how standard costs compare to actuals and any resulting adjustments;
- Assessed that inventory at year-end was recorded at the lower of cost and net realizable value by comparing a sample of inventory items to the most recent sales price of the inventory items; and
- Recalculated the weighted average cost by sampling costs of actual raw materials, labour and overhead to invoices and payroll support.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. The other information also comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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 audits 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 audits 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Brad Frampton.

Calgary, Alberta

March 28, 2024

MNP LLP

Chartered Professional Accountants

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

	Note	Year ended December 30	
		2023	2022
Revenue			
Net revenue	5	43,677	47,098
Cost of sales	6	30,726	36,616
Gross profit		12,951	10,482
Expenses			
Selling expenses	6	9,080	10,393
General and administrative	6	4,800	6,312
Depreciation and amortization	6	625	696
Operating expenses		14,505	17,401
Operating loss		(1,554)	(6,919)
Finance expenses	7	2,118	982
(Gains) loss on dispositions	13	(329)	237
Other (income) loss		(98)	930
Loss before income taxes		(3,245)	(9,068)
Income tax (recovery)	8		
Deferred		(312)	(1,967)
		(312)	(1,967)
Net loss and comprehensive loss		(2,933)	(7,101)
Per share amounts			
Basic and diluted	9	\$ (0.42)	\$ (1.02)
Segmented information	21		

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, 2023	December 30, 2022
ASSETS			
Current			
Cash		1,039	612
Accounts receivable	10	2,933	2,549
Inventories	11	8,932	5,769
Prepaid expenses and deposits		1,668	369
Assets held for sale	24	51	625
		14,623	9,924
Non-current			
Property, plant, and equipment	13	36,668	39,512
Intangible assets	16	1,366	2,190
Deferred income tax	8	134	-
		38,168	41,702
Total assets		52,791	51,626
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	15	10,407	8,100
Current portion of debt	14	4,849	5,705
Lease liabilities	12	659	668
Share-based payments	18	263	629
		16,178	15,102
Non-current			
Debt	14	11,744	8,045
Lease liabilities	12	2,343	3,099
Deferred income taxes	8	-	178
		14,087	11,322
EQUITY			
Shareholders' capital	17	113,775	113,746
Contributed surplus		3,182	2,954
Accumulated deficit		(94,431)	(91,498)
		22,526	25,202
Total liabilities and shareholders' equity		52,791	51,626
Going concern	2		
Commitments and contractual obligations	22		
Subsequent events	26		

See accompanying notes to the consolidated financial statements

"Stephen Giblin"

On behalf of the Board of Directors: Stephen Giblin
 Director

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

	Note	Year ended December 30	
		2023	2022
OPERATING ACTIVITIES			
Net loss and comprehensive loss		(2,933)	(7,101)
Items not affecting cash:			
Depreciation and amortization		3,744	3,885
(Gain) loss on dispositions - net	13	(329)	237
Share-based payments	18	(90)	600
Amortized debt issue costs	14	264	69
Deferred income tax (recovery)	8	(312)	(1,967)
		344	(4,277)
Change in non-cash working capital related to operating activities	25	(2,703)	2,942
Cash used in operating activities		(2,359)	(1,335)
FINANCING ACTIVITIES			
Advances of debt, net of repayment	14	2,744	3,536
Repayment of lease liabilities	12	(883)	(977)
Purchase of shares held in trust	17	(20)	126
Change in non-cash working capital related to financing activities		118	—
Cash provided by financing activities		1,959	2,685
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment	13	(268)	(1,062)
Purchase of intangibles	16	—	(222)
Proceeds from sale of property, plant, and equipment	13	1,056	318
Change in non-cash working capital related to investing activities	25	39	—
Cash provided by (used in) investing activities		827	(966)
Net increase in cash		427	384
Cash, beginning of year		612	228
Cash, end of year		1,039	612

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, 2022		113,746	2,954	(91,498)	25,202
Share-based payments	18	36	241	—	277
Purchase of shares held in trust	18	(20)	—	—	(20)
Shares held in trust issued	17	13	(13)	—	—
Net loss and comprehensive loss		—	—	(2,933)	(2,933)
As at December 30, 2023		113,775	3,182	(94,431)	22,526

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
As at December 30, 2021		113,620	2,480	(84,397)	31,703
Share-based payments	18	—	600	—	600
Shares held in trust issued	17	126	(126)	—	—
Net loss and comprehensive loss		—	—	(7,101)	(7,101)
As at December 30, 2022		113,746	2,954	(91,498)	25,202

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, ciders, ready to drink and non-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

Going concern

The consolidated financial statements for the year ended December 30, 2023, have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 30, 2023, the Corporation incurred a net loss of \$2.9 million. The Corporation had \$5.3 million drawn on its operating facility as at December 30, 2023. The credit facility imposes a number of positive and negative covenants on the Corporation more fully described in Note 14.

There remains a material uncertainty that may cast significant doubt on the Corporation’s ability to continue as a going concern. These financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applicable to the presentation of financial statements as the accounting policies applied in these consolidated financial statements are based on IFRS as issued, outstanding and effective December 30, 2023.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 28, 2024.

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.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

The following companies have been consolidated within these 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

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

Basis of presentation

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business and have been prepared on the historical cost basis, presented in Canadian dollars. All values are rounded to the nearest thousand dollars except where otherwise indicated.

3. SUMMARY OF MATERIAL 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.

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
Right of use assets	4-16 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	2-3 years
Intellectual property	10 years
Brewing license	10 years
Website costs	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 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.

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.

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

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

(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 considers the probability of meeting certain price targets and the Black-Scholes value of underlying instruments at such targets.

(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 and is classified as level 3 in the hierarchy.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

(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.

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.

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

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

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.

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.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

(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. Share-based payments are measured at fair value.

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.

Newly adopted accounting standard

In February 2021, the IASB issued amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors "IAS 8", in which it introduced a new definition of 'accounting estimates'. The amendments were designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. This amendment is applied to annual periods starting on or after January 1, 2023. The Corporation has adopted this standard and there are no changes to the financial statements at year end.

BIG ROCK BREWERY INC.

Notes to the Consolidated Financial Statements

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

Issued but not yet adopted accounting standards

The Corporation plans to adopt the following amendment to accounting standards, issued by the IASB, that is effective for annual periods beginning on or after January 1, 2024. The pronouncement will be adopted on the effective dates; however, it is not expected to have a material impact on the consolidated financial statements.

In October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements “IAS 1”, requiring an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. This will be effective January 1, 2024.

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.

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.

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

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

Going concern

The assessment of the Corporation's ongoing viability as an operating entity, and determination of the related disclosures, requires significant judgment. In assessing the Corporation's ability to continue as a going concern, market and regulatory factors are considered.

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.

Inventory

Inventories consist of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or slow moving. Actual net realizable value may vary from the estimated provision. The cost of inventories also involves estimates in determining the allocation of fixed and variable labour and production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated.

Incremental borrowing rates for leases and lease terms

The incremental borrowing rates are based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right of use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term. In addition, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Provision for expected credit losses

The Corporation uses a single loss-rate approach to measure expected credit losses of accounts receivable. Under this approach, the Corporation determines an average historical loss rate by comparing the total balance of accounts receivable at various past dates against the amount collected and not collected. This rate is then adjusted based on management judgement to account for current economic conditions, counterparty's present financial condition and the term to maturity of the specified receivable balance. Actual credit loss may significantly differ from this estimate of provision.

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***5. NET REVENUE**

	Year ended December 30	
	2023	2022
Gross product revenues	58,503	63,918
Federal excise taxes	(5,061)	(4,660)
Provincial liquor tax programs	(9,765)	(12,160)
Net revenue	43,677	47,098

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 excise taxes and provincial government liquor taxes.

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	
	2023	2022
Depreciation and amortization		
Cost of sales	3,119	3,189
Depreciation and amortization	625	696
Salaries, wages, and benefits		
Cost of sales	6,054	6,807
Selling expenses	2,090	3,390
General and administrative	1,707	2,962
Share-based payments		
General and administrative	(90)	600

7. FINANCE EXPENSES

	Year ended December 30	
	2023	2022
Interest on debt	1,972	787
Interest on lease liabilities	136	167
Other	10	28
Finance expenses	2,118	982

8. INCOME TAXES

Income tax recovery is comprised of the following:

	Year ended December 30	
	2023	2022
Current tax recovery	—	—
Deferred tax (recovery)	(312)	(1,967)
Income tax (recovery)	(312)	(1,967)

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

The following table reconciles the estimated income tax expense using a weighted average Canadian federal and provincial tax rate of 23.48% (2022 - 23.72%) 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	
	2023	2022
Loss before income taxes	(3,245)	(9,068)
Income tax recovery at statutory rate of 23.48% (2022 - 23.72%)	(762)	(2,151)
Effect on taxes of:		
Share-based payments	91	141
Non-deductible expenses	14	6
Other timing differences	432	1
Change in tax rate	—	5
Other	(87)	31
Income tax (recovery)	(312)	(1,967)

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:

	2022	Change	2023
Property, plant, and equipment	3,237	(481)	2,756
Intangible assets	128	(147)	(19)
Deferral of partnership income (loss)	—	415	415
Non-capital losses	(2,838)	(318)	(3,156)
Other	(349)	219	(130)
Total deferred tax liability (asset)	178	(312)	(134)

The Corporation has unused tax loss carry forwards which expire as follows:

2040	3,362
2041	—
2042	3,902
2043	6,179
Total non-capital losses	13,443

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	
	2023	2022
Net loss - basic	(2,933)	(7,101)
Effect of dilutive securities	—	—
Net loss - diluted	(2,933)	(7,101)
Weighted average shares		
Issued common shares	6,974	6,978
Effect of shares held in trust	(3)	—
Weighted average shares - basic	6,971	6,978
Effect of dilutive securities	—	—
Weighted average shares - diluted	6,971	6,978
Per share amounts:		
Basic and diluted	\$ (0.42)	\$ (1.02)

10. ACCOUNTS RECEIVABLE

As at	December 30, 2023	December 30, 2022
Provincial liquor boards	1,324	996
Co-packing customer receivables	1,392	1,696
Federal and provincial tax program receivables	400	563
Other receivables	452	287
Impairment on co-packing customer receivables	(632)	(930)
Expected credit loss provision	(3)	(63)
Total accounts receivable	2,933	2,549

11. INVENTORIES

As at	December 30, 2023	December 30, 2022
Raw materials and containers	1,880	1,723
Brews in progress	484	527
Finished product	5,785	2,579
Consignment product	759	913
Retail store	24	27
Total inventories	8,932	5,769

During the year ended December 30, 2023, charges of \$0.6 million (2022 - \$1.4 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, 2023 and 2022.

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***12. LEASE LIABILITIES**

As at	December 30, 2023	December 30, 2022
Lease liabilities, beginning of year	3,767	4,366
Additions	—	211
Disposals	(18)	—
Interest expense	136	167
Lease payments	(883)	(977)
	3,002	3,767
Current	659	668
Long-term	2,343	3,099
	3,002	3,767

Big Rock has lease liabilities for contracts related to real estate within buildings, vehicle and equipment leases. The weighted average discount rate for the year ended December 30, 2023 was 4.3 percent (2022 - 4.1 percent).

Lease disposals include a reduction of \$18k (2022 - nil) of building lease liabilities upon assignment of the warehouse building lease.

13. PROPERTY, PLANT, AND EQUIPMENT

	Land and Buildings	Machinery and equipment	Office furniture and equipment	Right of use assets	Total
Cost					
As at December 30, 2021	26,280	38,059	2,432	3,883	70,654
Additions	417	1,078	91	211	1,797
Disposals	(29)	(4,751)	(61)	-	(4,841)
As at December 30, 2022	26,668	34,386	2,462	4,094	67,610
Additions	-	256	12	-	268
Disposals	-	(442)	(38)	(329)	(809)
As at December 30, 2023	26,668	34,200	2,436	3,765	67,069
Accumulated depreciation					
As at December 30, 2021	5,650	19,638	2,259	453	28,000
Depreciation	702	1,813	144	581	3,240
Disposals	(15)	(3,041)	(61)	(25)	(3,142)
As at December 30, 2022	6,337	18,410	2,342	1,009	28,098
Depreciation	699	1,573	53	595	2,920
Disposals	-	(249)	(39)	(329)	(617)
As at December 30, 2023	7,036	19,734	2,356	1,275	30,401
Net book value					
As at December 30, 2022	20,331	15,976	120	3,085	39,512
As at December 30, 2023	19,632	14,466	80	2,490	36,668

During the year ended December 30, 2023, the Corporation purchased various brewing and packaging equipment for \$0.3 million and sold a variety packer to a supplier who will provide variety packing services moving forward and bottle line equipment to a non-Canadian company. The equipment was sold for a total of \$0.8 million. The Corporation sold additional packaging equipment with a net book value of \$0.5 million and terminated a lease of a warehouse in Calgary which had a cost of \$0.3 million and was fully depreciated.

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

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

During the year ended December 30, 2022, the Corporation sold canning line equipment and vehicles for a nominal gain. The Corporation also retired assets that were no longer in use, resulting in a net loss of \$0.2 million when combined with the sales.

Impairment

During the year ended December 30, 2023 the Corporation determined that there are no indicators of impairment.

As at December 30, 2022, the Corporation assessed the indicators of impairment with respect to certain of the Corporation's assets and determined the Corporation's market capitalization compared to net asset value was potentially an indicator of impairment. A test for impairment was performed at the individual asset level by comparing the estimated recoverable amount to the carrying values of the assets which was determined to be their fair value less costs of disposal.

No impairment was recorded in the consolidated statements of comprehensive loss for the years ended December 30, 2023 and 2022.

14. DEBT

The Corporation has a credit facility with a financial institution owned by the Government of Alberta. The credit facility includes a revolving operating loan facility (the "Operating facility") of \$6.0 million and an evergreen term loan facility (the "Term debt") of \$10.0 million. Advances under both credit facilities may be made by way of Canadian prime rate loans and letters of credit.

As a result of the prior amendment to the Corporation's commitment letter with its lender as at March 31, 2022, both facilities bear interest rates at prime plus a basis point spread that is subject to a pricing grid based upon the Corporation's funded debt to earnings before interest, taxes, and depreciation, less an amount for maintenance capital. Both facilities are also subject to a standby fee on committed amounts undrawn. Term Debt payments of principal and interest are monthly.

On December 5, 2022 Big Rock closed a \$4.3 million second lien financing with VN Capital Fund I, LP, a company related through a common director, and in connection therewith, has agreed to amended terms under its existing credit agreement with ATB Financial for both of its \$6.0 million revolving operating loan facility and its \$10.0 million evergreen term loan facility.

Details on amounts outstanding under these facilities are as follows:

As at	December 30, 2023	December 30, 2022
Operating facility - principal	5,290	1,894
Term debt - principal and accrued interest	11,461	12,112
Debt issue costs	(158)	(256)
	16,593	13,750
Current	4,849	5,705
Long-term	11,744	8,045

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

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

	Expiry date	December 30, 2023	December 30, 2022
Tranche 1	December 31, 2024 ¹	4,300	4,300
Tranche 2	April 30, 2025	368	561
Tranche 3	February 28, 2026	584	766
Tranche 4	September 9, 2027	458	538
Tranche 5	February 28, 2031	2,499	2,588
Tranche 6	December 31, 2031	3,252	3,359
Total term debt outstanding		11,461	12,112

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 1.15 to 1, calculated as the rolling 12-month earnings before interest, taxes, and depreciation, less an amount for maintenance capital, compared to the rolling 12-month fixed charges. Fixed charges are the sum of interest, dividends and income taxes paid, and principal repayments. In addition, the Corporations borrowings cannot exceed a borrowing base which is determined by the fair value of the Corporation's assets. ATB has first and floating charge debentures over all assets held by the Corporation.

On August 12, 2022, Big Rock and ATB signed an Acknowledgement and Reservation of Rights letter where ATB imposed additional conditions on the Corporation that was followed up with a further review prior to the end of August 2022. This letter imposed additional conditions including the weekly reporting of cash flow projections and presentation of a plan on or before August 29, 2022 (the "Plan") that was subsequently presented to ATB. The Plan reviewed the overall business strategy and included a multi-year financial forecast and plans for addressing near-term liquidity challenges and overall capitalization of the business.

During the first three quarters of 2023, Big Rock achieved each of the covenants included in the amended lending arrangement with ATB. During the fourth quarter of 2024, however, the Corporation fell \$0.6 million short of its earnings (adjusted EBITDA) covenant requirement. Pursuant to the agreement in place between the parties, Big Rock maintains a one-time option to provide financing in an amount necessary to resolve the shortfall; funding introduced in January of 2024 satisfied this obligation.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 30, 2023	December 30, 2022
Trade payables	6,341	4,611
Container deposits	517	612
Accruals and other	3,549	2,877
Total accounts payable and accrued liabilities	10,407	8,100

¹ Subsequent to year end, the Corporation added \$4.2 million in borrowings which extended the maturity of this facility to December 31, 2024 (Note 26)

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***16. INTANGIBLE ASSETS**

Intangible assets are broken down as follows:

	Computer software	Brewing license	Intellectual property	Website costs	Total
Cost					
As at December 30, 2021	1,968	1,885	254	236	4,343
Additions	280	—	—	—	280
Disposals	(232)	—	—	—	(232)
As at December 30, 2022	2,016	1,885	254	236	4,391
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
As at December 30, 2023	2,016	1,885	254	236	4,391
Accumulated amortization					
As at December 30, 2021	793	606	197	156	1,752
Amortization	396	204	9	38	647
Disposals	(198)	—	—	—	(198)
As at December 30, 2022	991	810	206	194	2,201
Amortization	592	188	9	35	824
Disposals	—	—	—	—	—
As at December 30, 2023	1,583	998	215	229	3,025
Net book value					
As at December 30, 2022	1,025	1,075	48	42	2,190
As at December 30, 2023	433	887	39	7	1,366

As at December 30, 2022 and 2023, there were no indicators of impairment noted in the carrying value of the Corporation's intangible assets and no provision is recorded.

17. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares with no par value.

<i>(thousands)</i>	As at December 30, 2023		As at December 30, 2022	
	# of shares	\$ Amount	# of shares	\$ Amount
Outstanding, beginning of year	6,978	113,746	6,946	113,620
Shares held in trust purchased	(8)	(20)	—	—
Shares held in trust issued	4	13	32	126
RSU value	—	36	—	—
Outstanding, end of year	6,974	113,775	6,978	113,746

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***18. SHARE-BASED PAYMENTS**

Share based compensation expense, included in general and administrative expenses, and recognized in the consolidated statements of comprehensive loss for the years ended December 30, 2023 and 2022 include:

As at	December 30, 2023	December 30, 2022
Equity settled plans:		
Options expense	311	12
Restricted share unit expense	(34)	588
	277	600
Cash settled plans:		
SARs fair value adjustments	(367)	–
Total share-based payments	(90)	600

Share Option Plan

The Corporation's share option plan consists of share options and performance share options. During the year ended December 30, 2023, the Corporation granted 315,232 share options. 255,232 of the share options granted in 2023 vested immediately, with the balance vesting equally over four years. Share options granted in 2019 vested over four years, with one fifth vesting immediately, followed by one fifth vesting on each subsequent anniversary date. All options are exercisable for five years after the grant date. During 2023, 185,000 options expired (2022 - 75,000). The following table is a summary continuity of the number of share-based awards outstanding:

As at	December 30, 2023			December 30, 2022		
	# of options	Weighted average exercise price (\$)	Remaining life (years)	# of options	Weighted average exercise price (\$)	Remaining life (years)
Balance, beginning of year	185,000	5.36	0.42	285,000	6.11	1.31
Granted	315,232	1.55		–	–	
Cancelled/Forfeited	–	–		(25,000)	2.78	
Expired	(185,000)	5.45		(75,000)	1.93	
Balance, end of year	315,232	1.59	4.86	185,000	5.36	0.42
Exercisable, end of year	255,232	1.60	4.30	185,000	5.36	0.42

At December 30, 2023, nil (December 30, 2022 - 69,000) performance share options were outstanding.

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.

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

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

As at	December 30, 2023		December 30, 2022	
	# of RSUs	Weighted average remaining life (years)	# of RSUs	Weighted average remaining life (years)
Balance, beginning of year	78,073	1.12	226,520	1.25
Granted	96,115	1.26	—	—
Exercised	(6,070)	—	(79,930)	—
Cancelled/forfeited	(59,002)	—	(68,517)	—
Balance, end of year	109,116	1.19	78,073	1.12
Exercisable, end of year	13,415	1.19	—	—

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

	Year ended December 30	
	2023	2022
Market price at grant (\$)	1.54	—
Risk-free interest rate (%)	2.82	—
Dividend yield (%)	0.00	—
Forfeiture rate (%)	0.00	—
Volatility (%)	46.35	—

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, 2023			December 30, 2022		
	# of SARs	Weighted average exercise price (\$)	Remaining life (years)	# of SARs	Weighted average exercise price (\$)	Remaining life (years)
Balance, beginning of year	248,262	4.99	1.70	370,479	5.42	2.13
Granted	—	—	—	—	—	—
Exercised	—	—	—	(12,726)	4.76	—
Forfeited	—	—	—	(21,491)	5.33	—
Expired	(154,626)	5.08	—	(88,000)	6.74	—
Balance, end of year	93,636	4.82	1.23	248,262	4.99	1.70
Exercisable, end of year	93,636	4.82	1.23	243,100	4.97	1.67

At December 30, 2023, nil (December 30, 2022 - 81,000) performance SARs were outstanding.

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

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

19. CAPITAL RISK MANAGEMENT

The Corporation defines its capital to include common shares plus short-term and long-term debt less cash balances. 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, 2023	December 30, 2022
Debt	16,593	13,750
Lease liabilities	3,002	3,767
Total debt	19,595	17,517
Shareholders' equity		
Shareholders' capital	113,775	113,746
Contributed surplus	3,182	2,954
Accumulated deficit	(94,431)	(91,498)
Total shareholders' equity	22,526	25,202
Total debt and shareholders' equity	42,121	42,719
Less: cash	(1,039)	(612)
Total capitalization (total debt plus shareholders' equity, net of cash balances)	41,082	42,107

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. Capital requirements of the Corporation are managed by the preparation of an annual expenditure budget which is approved by the Board of Directors and monitored on a regular basis by management. The budget is updated as necessary depending on numerous factors, including capital deployment, results from operations, general industry conditions and government policy changes.

In addition, the Corporation monitors its capital using ratios of (i) net debt (debt plus license obligation 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. Refer also to Note 2 and Note 14.

20. FINANCIAL INSTRUMENTS**Categories of financial instruments**

The Corporation's principal financial instruments are its outstanding amounts drawn from its credit facilities, 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 accounts receivable, debt, accounts payable and accrued liabilities, and share-based payments liabilities.

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

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

Big Rock's financial instruments and their designations are:

Classification of Financial Instrument	Designated as	December 30, 2023		December 30, 2022	
		Carrying Amount	Fair Value Amount	Carrying Amount	Fair Value Amount
Financial assets:					
Cash	Amortized cost	1,039	1,039	612	612
Accounts receivable	Amortized cost	2,933	2,933	2,549	2,549
Financial liabilities:					
Accounts payable and accrued liabilities	Amortized cost	10,342	10,342	8,100	8,100
Debt	Amortized cost	16,593	16,593	13,750	13,750
Share-based payments	Fair value	263	263	629	629

Financial risk management objectives and policies

The Corporation's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and debt. 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, 2023, a 1% increase in the prime interest rate would result in additional interest expense of \$0.1 million (2022 - \$0.1 million).

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.

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

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

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 on impairment of \$0.9 million against an outstanding receivable from one of its co-packing partners. In 2023 the Corporation determined that a portion of the outstanding receivable has since become recoverable therefore the Corporation reversed \$0.3 million of the previously impaired receivable. Receivables that are neither past due, nor impaired are considered collectible. Receivables over 90 days old are considered to be past due. Where concentrations of credit risk exist, management monitors the receivable balances closely to ensure appropriate controls are in place to ensure recovery. At December 30, 2023, 91% of accounts receivables were from ten customers (88% in 2022), including provincial liquor boards and contract customer receivables with 22% of receivables aged over 90 days compared to 40% 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	10,342	10,342	–	–
Debt	16,593	4,849	7,605	4,139
Lease liabilities	3,002	659	1,232	1,111
Total contractual repayments	29,937	15,850	8,837	5,250

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.

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.

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

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

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.

21. 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 by Segment

Year ended December 30	Wholesale		Retail		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
Net revenue	42,975	45,747	890	1,678	(188)	(327)	43,677	47,098
Cost of sales	30,342	35,562	572	1,381	(188)	(327)	30,726	36,616
Gross profit (loss)	12,633	10,185	318	297	–	–	12,951	10,482
Selling expenses	9,064	10,303	16	90	–	–	9,080	10,393
Segment profit (loss)	3,569	(118)	302	207	–	–	3,871	89
General and administrative cost							4,800	6,312
Depreciation and amortization							625	696
Operating (loss)							(1,554)	(6,919)
Finance expense							2,118	982
Other							(427)	1,167
Loss before income taxes							(3,245)	(9,068)

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***22. COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

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

	2024	2025	2026	2027	2028	Thereafter
Utilities contracts	624	624	–	–	–	–
Raw material purchase commitments	959	1,347	704	541	491	–
Marketing sponsorships	330	230	–	–	–	–
Total	1,913	2,201	704	541	490	–

23. 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 Vice President, Innovation, Business Development & Government Relations. The remuneration is included in cost of sales and general and administrative expenses and is comprised as follows:

	Year ended December 30	
	2023	2022
Salaries and other short-term benefits	1,115	1,087
Share-based payments	175	–
Total compensation	1,290	1,087

24. ASSETS HELD FOR SALE

During the year ended December 30, 2023, the Corporation sold a shrink machine and a variety packer that were classified as held for sale in the previous year. Management also reclassified and sold a bottling line during the year that had a net book value of \$0.2 million. Assets held for sale are being carried at the lower of fair value less costs of disposal and carrying amount.

BIG ROCK BREWERY INC.**Notes to the Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***25. SUPPLEMENTAL CASH FLOW DISCLOSURES**

	Year ended December 30	
	2023	2022
Cash provided by (used in):		
Accounts receivable	(384)	(382)
Inventories	(3,163)	950
Prepaid expenses and deposits	(1,299)	94
Assets held for sale	(152)	(625)
Property, plant, and equipment	192	646
Intangibles	—	(23)
Shares appreciation rights	—	(12)
Accounts payable and accrued liabilities	2,260	2,294
Total change in non-cash working capital	(2,546)	2,942
Total change in non-cash working capital allocated to:		
Operating	(2,703)	2,942
Financing	118	—
Investing	39	—
	(2,546)	2,942
Supplemental cash-flow information		
Interest paid	1,285	936
Taxes paid	—	—

26. SUBSEQUENT EVENTS

In January 2024, the Corporation announced that it had added \$4.2 million in borrowings from VN Capital (a principal shareholder of Big Rock) for a total of \$8.5 million provided by way of this Second Lien Financing and that it had extended the maturity of this facility to December 31, 2024. The initial \$4.3 million Second Lien Financing was used to pay down the Corporation's operating facility with ATB. The additional \$4.2 million Second Lien Financing (of which \$2.0 million has been drawn to date) will be used to finance working capital and the replacement of packaging equipment allowing beverages to be packaged in more environmentally-friendly and flexible formats and to satisfy a \$0.6 million shortfall vis-à-vis the covenanted Adjusted EBITDA target in the fourth quarter of 2023. The Second Lien Financing is subordinate to the existing credit arrangement with ATB Financial.

In January 2024, the Corporation committed \$1.2 million to purchase and install equipment to help it comply with Canada's ban on single-use plastics, allowing its products to be more environmentally-friendly.