MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Big Rock Brewery Inc. (the "**Corporation**" or "**Big Rock**") for the years ended December 30, 2023 and 2022.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Corporation and accompanying notes as at and for the years ended December 30, 2023 and 2022 (the "2023 Annual Financial Statements"). The 2023 Annual Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**") and all tabular amounts are reported in thousands of Canadian dollars unless otherwise noted. Additional information about the Corporation, including the Corporation's Annual Information Form for the year ended December 30, 2023 (the "**AIF**"), can be found on SEDAR+ at www.sedarplus.ca and on Big Rock's corporate website at www.bigrockbeer.com. Readers should also read the section "Forward-Looking Information" contained at the end of this MD&A. This MD&A is dated March 28, 2024.

COMPANY OVERVIEW

Big Rock is headquartered in Calgary, Alberta. The Corporation produces premium, all-natural craft beers, ciders, and other alcoholic and non-alcoholic beverages. As one of Canada's largest independently owned craft brewers, Big Rock has an extensive family of permanent ales and lagers, the Rock Creek series of craft ciders, the White Peaks family of hard tea beverages, a continually-changing selection of seasonal and limited-edition beers and other licensed alcoholic beverages.

Founded in 1985, Big Rock was the first craft brewery in Alberta and stands as a pioneer in the Canadian craft beer industry. Big Rock produces, markets and distributes its premium, high-quality craft beers, ciders, and other alcoholic and non-alcoholic beverages, primarily in Canada. The Corporation owns and operates production facilities in Alberta, British Columbia ("**BC**"), and Ontario. Today, Big Rock's primary brewing, packaging and warehousing facility is in Calgary, Alberta and has been in operation since 1996. Big Rock has distribution facilities in Calgary and Edmonton, and sales staff resident in Alberta, BC, Saskatchewan, Manitoba, and Ontario.

Given the Corporation's footprint in Western Canada, the Corporation also has several private label agreements, production agreements, co-packing agreements and licensing agreements.

FOURTH QUARTER AND ANNUAL 2023 HIGHLIGHTS

For the three months ended December 30, 2023, compared to the three months ended December 30, 2022, the Corporation reported:

- wholesale sales volumes down 1% to 35,314 hectolitres ("**hl**") compared to 35,654 hl;
- net revenue decreased by 15% to $9.0 million from $10.5 million;
- operating loss decreased by 60% to $1.5 million compared to $3.8 million;
- net loss decreased by $2.1 million from $4.2 million; and
- Adjusted EBITDA increased by $2.8 million to $(0.7) million. Adjusted EBITDA is a non-GAAP (as defined herein) financial measure, see "*Non-GAAP Measures*".

For the year ended December 30, 2023, compared to the year ended December 30, 2022, the Corporation reported:

- wholesale sales volumes down 1% to 157,203 hl from 158,496 hl;
- net revenue down 7% to $43.7 million from $47.1 million;
- operating loss decreased to $1.6 million from $6.9 million;
- net loss decreased to $2.9 million from $7.1 million;
- Adjusted EBITDA increased by $5.6 million to $2.2 million $(3.4) million; and
- $0.7 million of term debt was repaid and $3.4 million drawn in the year ended December 30, 2023 on the operating facility for total debt of $16.6 million, representing an increase of $2.8 million from the $13.8 million outstanding at December 31, 2022.

$000, except hl and per share amounts	Three months ended December 30		Year ended December 30	
	2023	2022	**2023**	2022
Sales volumes (hl) [(1)]	**35,314**	35,654	**157,203**	158,496
Gross revenue	**$ 11,847**	$ 13,471	**$ 58,503**	$ 63,918
Net revenue	**8,971**	10,548	**43,677**	47,098
Cost of sales	**6,236**	10,132	**30,726**	36,616
Adjusted EBITDA [(2)]	**(701)**	(3,484)	**2,188**	(3,388)
Operating loss	**(1,508)**	(3,815)	**(1,554)**	(6,919)
Net loss	**(2,111)**	(4,188)	**(2,933)**	(7,101)
Loss per share (basic & diluted)	**$ (0.31)**	$ (0.60)	**$ (0.42)**	$ (1.02)

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

OUTLOOK & STRATEGY

Big Rock's long-term growth strategy is to maximize the utilization and value of its capacity and capital investments to drive growth in volume, improve productivity and lower cost of sales and operating expenses. With greater operational efficiencies, the Corporation aims to improve its competitiveness, gain market share and "premiumize" its branded portfolio. A renewed focus on innovation and co-creation of new products with the Corporation's strategic partners are expected to increase market demand and further enable the Corporation to gain market share.

In 2023 Big Rock embarked on a strategy of, where possible, balancing production and sales between quarters to allow for a reduction of operating costs. Reduced co-packing volumes in 2023 made this difficult during the last half of 2023; in 2024 it is expected this will again be a focus. This strategy supports Big Rock's vision to become Canada's largest and most stable independent brewer.

Big Rock is continuing to focus on product innovation and development in the premium alcoholic and non-alcoholic beverage categories to better align with trends in consumer demand. As part of this initiative, in the fourth quarter of 2023 the Corporation launched a new non-alcoholic beer, "Pacer," to take advantage of the rapidly growing non-alcohol market. Several product innovation releases are planned for 2024.

For the 2023 calendar year, Canadian domestic beer sales were estimated to be down by 2.3%[1] (2022 - 4.8%) compared to prior year. However, the Corporation outperformed the market in such period with a 0.7% increase in domestic beer sales for the year ended December 30, 2023. In response to the continued downward industry trend, Big Rock is maintaining its focus on product innovation and development in the premium category to better align with trends in consumer demand and is augmenting beer sales with cider and other ready to drink products.

During the fourth quarter of 2023, traditionally the weakest quarter of the year for the Corporation's financial performance, Big Rock was able to increase its Adjusted EBITDA by a factor of 80% compared to the prior year, as well as decrease its operating loss by a factor of 60% compared to the prior year. Such improvements were achieved despite a shortfall in co-packing volumes and were largely the result of cost-savings initiatives and improved inventory management by the Corporation.

Reduced co-packing volumes in 2023 was the primary factor responsible for the $3.4 million (7.2%) reduction in annual net revenue and for the $1.6 million (14.9%) shortfall in net revenue during the fourth quarter. Wholesale product sales (beer, ciders and ready to drink beverages) volumes fell only 1% short of the volumes achieved during 2022. Despite the reduction of co-packing volumes in 2023, the Corporation's co-packing business continues to represent a significant percentage of revenue and total production volumes. The Corporation expects to continue to realize overhead and labor cost efficiencies and improved cost absorption through increased co-packing volumes and continued focus on streamlining processes around forecasting and production planning. The Corporation anticipates that its co-packing contracts for 2024 will return to, or exceed, levels seen during 2022.

In response to the Corporation's breach of its financial covenants under its credit facilities with ATB Financial ("**ATB**") in the third quarter of 2022, the Corporation's excess inventory in the fourth quarter of 2022 and management turnover, the Corporation's Board of Directors (the "**Board**") enacted the following changes in the fourth quarter of 2022:

- Stephen Giblin, the Chair of the Board, was brought in as the interim President and Chief Executive Officer of the Corporation on October 27, 2022;
- the Corporation secured a capital injection of $4.3 million through the Corporation's largest shareholder VN Capital Fund I, LP ("**VN Capital**") (see "*Liquidity and Capital Resources – Debt*");
- the Corporation's management team was re-structured and significant cost reductions were made across all functional areas of the Corporation's business;
- Big Rock amended the terms of its credit facilities with ATB to amend certain covenants contained therein and to permit the Corporation to obtain the capital injection from VN Capital (see "*Liquidity and Capital Resources – Debt*"); and
- a new multi-year partnership agreement with Browns Social House Ltd. was announced.

In addition to the above, in March 2023, the Corporation announced it had initiated a process to evaluate potential strategic alternatives with a view to enhancing shareholder value (the "Strategic Review"), led by a special committee of the Board which engaged Acumen Capital Finance Partners Limited as a strategic advisor. The Special Committee reviewed, amongst other things, the Corporation's operations and investigated 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 and other strategic initiatives.

In December 2023 the Corporation announced that it had concluded its search for a permanent Chief Executive Officer and on January 8, 2024, David Kinder, a veteran of the beverage industry, was appointed President and Chief Executive Officer of the Corporation, replacing Mr. Giblin who had taken on the role on an interim basis. Mr. Giblin continues in his role as Chair of the Board.

[1] Source: Beer Canada's Monthly Domestic Beer Sales statistics accumulated from provincial liquor boards, distributors and brewers (https://beercanada.com/sales-statistics/)

In January 2024, the Corporation announced the addition of a $4.2 million tranche to its existing $4.3 million second lien financing (the "**Second Lien Financing**") with VN Capital, a principal shareholder of Big Rock. This funding was introduced to provide liquidity, access to funds for capital expenditures and to satisfy the $0.6 million shortfall incurred during Q4 versus the Adjusted EBITDA target provided by the Corporation's primary lender, ATB. Under the terms of the credit agreement in place with ATB, this injection of funds satisfied the Corporation's obligations with respect to this deficiency. The Corporation also announced it had concluded its Strategic Review.

The Corporation has developed financial projections for fiscal 2024 that show sufficient cash flows to cover forecasted expenses and is projecting a return to profitability. Based on these projections, the Corporation expects to be in compliance with the existing financial covenants under its credit facilities with ATB over the next 12 months.

GOING CONCERN DISCLOSURE

Management of the Corporation is appropriately conservative and will continue to take actions to increase revenues and lower costs to provide confidence that the Corporation will meet expectations for the 2024 fiscal year.

Despite improved financial performance, there remains a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. The 2023 Annual Financial Statements include a "Going Concern" note, but do not include adjustments to the recoverability and classification of recorded asset 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 2023 Annual Financial Statements.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of selected financial information for the last three years:

$000, except per share amounts	Year ended December 30,		
	2023	2022	2021
Gross revenue	**$ 58,503**	$ 63,918	$ 63,033
Net revenue	**43,677**	47,098	45,982
Net loss	**(2,933)**	(7,101)	(3,257)
Loss per share (basic and diluted)	**(0.42)**	(1.02)	(0.47)
Total assets	**52,791**	51,626	54,822
Total non-current financial liabilities	**$ 14,087**	$ 11,144	$ 11,157

SELECTED QUARTERLY FINANCIAL INFORMATION

Big Rock experiences seasonal fluctuations in sales volumes, net revenue, and net income with the second and third quarters typically being stronger than the first and fourth quarters. These seasonal variations are dependent on numerous factors, including weather, timing of community events, consumer behaviour, customer activity and overall industry dynamics, mainly in Western Canada. The selected quarterly information is consistent with these industry trends.

The following is a summary of selected financial information for the last eight completed quarters:

($000, except hl and per share amounts)	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
Sales volumes (hl) [1]	**35,314**	44,451	43,660	33,778	35,654	47,154	42,409	33,279
Net revenue	**8,971**	11,553	12,702	10,451	10,548	11,940	15,823	8,787
Cost of sales	**6,236**	8,098	8,904	7,488	10,132	8,445	11,966	6,073
Operating income (loss)	**(1,508)**	55	43	(144)	(3,815)	(1,146)	(469)	(1,488)
Adjusted EBITDA [2]	**(701)**	999	1,188	701	(3,484)	102	645	(620)
Net loss	**(2,111)**	(227)	(340)	(255)	(4,188)	(1,054)	(588)	(1,271)
Loss per share (basic & diluted)	**$ (0.31)**	$ (0.03)	$ (0.05)	$ (0.04)	$ (0.60)	$ (0.15)	$ (0.09)	$ (0.18)

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

RESULTS OF OPERATIONS

Adjusted EBITDA

The calculation of Adjusted EBITDA is a non-GAAP financial measure, whose nearest GAAP measure is net income, or net loss (as applicable), with the reconciliation between the two as follows:

($000, except where indicated)	Three months ended December 30			Year ended December 30		
	2023	2022	Change	**2023**	2022	Change
Net income (loss)	**$ (2,111)**	$ (4,188)	$ 2,077	**$ (2,933)**	$ (7,101)	$ 4,168
Addback:						
Interest	**557**	360	197	**2,118**	982	1,136
Taxes	**—**	(1,155)	1,155	**(312)**	(1,967)	1,655
Depreciation and amortization	**759**	1,245	(486)	**3,734**	3,861	(127)
Share based payments	**36**	(28)	64	**(90)**	600	(690)
(Gain)/loss on disposal of assets	**58**	282	(224)	**(329)**	237	(566)
Adjusted EBITDA [1]	**$ (701)**	$ (3,484)	$ 2,783	**$ 2,188**	$ (3,388)	$ 5,576

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

Adjusted EBITDA in the three months ended December 30, 2023 increased by $2.8 million in comparison to the comparative period in the prior year and increased $5.6 million for the year compared to 2022. The increased Adjusted EBITDA is primarily attributable to concerted efforts on cost savings in overhead, selling and general and administrative costs and improved inventory management by the Corporation.

Net Revenue

Net revenue includes wholesale beer, cider, alcoholic and non-alcoholic beverage sales (net of excise taxes and provincial government liquor taxes), co-packing revenues, and retail restaurant and store sales from Big Rock's Alberta, BC, and Ontario locations. Geographically, Alberta continued to represent the largest share of the Corporation's sales in 2023, followed by BC and Saskatchewan.

($000, except sales volumes)	Three months ended December 30			Year ended December 30		
	2023	2022	Change	**2023**	2022	Change
Sales volumes (hl) [1]	**35,314**	35,654	(340)	**157,203**	158,496	(1,293)
Gross revenue	**$ 11,847**	$ 13,471	$ (1,624)	**$ 58,503**	$ 63,918	$ (5,415)
Federal excise taxes	**(747)**	(340)	(407)	**(5,061)**	(4,660)	(401)
Provincial liquor tax programs	**(2,129)**	(2,583)	454	**(9,765)**	(12,160)	2,395
Net revenue	**$ 8,971**	$ 10,548	$ (1,577)	**$ 43,677**	$ 47,098	$ (3,421)
Net revenue by segment						
Wholesale	**$ 8,764**	$ 10,274	$ (1,510)	**$ 42,787**	$ 45,747	$ (2,960)
Retail	**207**	274	(67)	**890**	1,351	(461)
Net revenue	**$ 8,971**	$ 10,548	$ (1,577)	**$ 43,677**	$ 47,098	$ (3,421)
$ per hl						
Wholesale net revenue	**$ 248.18**	$ 288.16	$ (39.98)	**$ 272.18**	$ 288.63	$ (16.45)

[1] Excludes co-packing volumes due to the nature of the agreements.

Sales volumes, exclusive of co-packing, for the fourth quarter and full year of 2023 were largely unchanged with a 1% decrease compared to the same periods in 2022. Increases in private label products (both on-premise sales (relating to keg and other sales to bars, restaurants and lounges) and off-premise/“white label product” sales at various retail outlets) largely offset decreases across other categories. Co-packing volumes declined 50% in the fourth quarter of 2023 compared to the fourth quarter in 2022 and 29% for the year ended December 30, 2023 compared to the year ended December 30, 2022. As noted above, the decline in co-packing volumes was the main contributor to the decline in gross revenues for the fourth quarter and full year. While overall volumes declined in the 2023 calendar year compared to the prior year, the Corporation demonstrated resilience relative to industry trends.

Wholesale Revenue

Net revenues for the quarter and year ended December 30, 2023 decreased by $1.5 million and $3.0 million respectively, compared to same periods in the prior year. Net revenues reflect a general continued declining market for alcoholic beverage consumption in Canada and increased excise taxes offset by reduced provincial commissions combined with reduced co-packing volumes.

Retail Revenue

Retail revenue decreased by $0.1 million in the fourth quarter of 2023 and $0.5 million in the year ended December 30, 2023 compared to the same periods in 2022. A significant portion of the decline was a result of increased competition encountered in the Toronto market, closure of the Calgary restaurant for a two-month period, as well as turnover in restaurant operators in Calgary. The retail segment represents roughly 2% of the Corporation’s annual sales.

Cost of Sales

($000, except where indicated)	Three months ended December 30			Year ended December 30		
	2023	2022	Change	**2023**	2022	Change
Operating expenses and raw materials	**$ 4,267**	$ 7,497	$ (3,230)	**$ 21,568**	$ 26,454	$ (4,886)
Salaries and benefits	**1,356**	1,566	(210)	**6,054**	6,997	(943)
Depreciation and amortization	**613**	1,069	(456)	**3,104**	3,165	(61)
Cost of sales	**$ 6,236**	$ 10,132	$ (3,896)	**$ 30,726**	$ 36,616	$ (5,890)
Percentage of revenue	**69.5%**	96.1%		**70.3%**	77.7%	

Cost of sales for the quarter ended December 30, 2023 decreased period-over-period by $3.9 million and $5.9 million for the year ended December 30, 2023 compared to 2022. Such decreases were primarily driven by lower overall production volumes (taking into consideration co-packing volumes), cost savings initiatives impacting absorbed overhead and the absence of the $1.4 million inventory write-down recognized in the fourth quarter of 2022.

Cost of sales as a percentage of net revenue was lower in the fourth quarter and full year of 2023 compared to the same periods in 2022. This was largely due to a reduction in various cost categories but primarily in building-related costs and in key raw materials consistent with a reduction in general industry inflationary pressures. Big Rock saw reductions in salaries and benefits in the fourth quarter and full year of 2023 due to staff reductions and continued open positions. Additionally, the Corporation continued to be impacted by employee turnover consistent with an overall challenging labour recruitment market. Depreciation costs decreased due to fewer assets available for service.

Selling Expenses

($000, except where indicated)	Three months ended December 30			Year ended December 30		
	2023	2022	Change	**2023**	2022	Change
Delivery and distribution costs	**$ 1,127**	$ 981	$ 146	**$ 4,708**	$ 4,493	$ 215
Salaries and benefits	**548**	928	(380)	**2,090**	3,360	(1,270)
Marketing and sales expenses	**693**	211	482	**2,282**	2,540	(258)
Selling expenses	**$ 2,368**	$ 2,120	$ 248	**$ 9,080**	$ 10,393	$ (1,313)
Percentage of revenue	**26.4%**	20.1%		**20.8%**	22.1%	

Selling expenses increased slightly by $0.2 million in the fourth quarter of 2023 compared to 2022, as increased marketing and sales expenses for product artwork and design, agency fees and delivery and distribution costs related to third party storage and handling, were partially offset by savings in labour costs resulting from reduced staffing levels. For the full year of 2023, selling expenses were $1.3 million lower than 2022 primarily due to reduced staffing levels. The Corporation has made a concerted effort to consolidate shipments and improve logistics management through the year. Reduced staffing levels resulted in savings in salaries and benefits and, as noted above, the labour market has made recruiting for open positions challenging.

General and Administrative Expenses

($000, except where indicated)	Three months ended December 30			Year ended December 30		
	2023	2022	Change	**2023**	2022	Change
Salaries and benefits	**$ 502**	$ 687	$ (185)	**$ 1,707**	$ 2,602	$ (895)
Share based payments	**37**	—	37	**(90)**	628	(718)
Professional fees	**170**	336	(166)	**849**	944	(95)
Other administrative expenses	**1,020**	913	107	**2,334**	2,138	196
General and administrative expenses	**$ 1,729**	$ 1,936	$ (207)	**$ 4,800**	$ 6,312	$ (1,512)
Percentage of revenue	**19.3%**	18.4%		**11.0%**	13.4%	

General and administrative expenses for the three months and year ended December 30, 2023 decreased by $0.2 million and $1.5 million, respectively, compared to the same periods in 2022 primarily due to lower salaries and benefits from reduced staffing levels, reduced share based payments and a fair value adjustment on an accounts receivable.

Finance Expense

Finance expenses of $0.6 million in the fourth quarter of 2023 and $2.1 million for the year ended December 30, 2023 were $0.2 million and $1.1 million higher, respectively, than the corresponding periods in 2022. Such increases were primarily due to higher interest rates and the injection of additional short-term debt from VN Capital late in fiscal 2022. See "*Liquidity and Capital Resources – Debt*" in this MD&A.

SEGMENTED INFORMATION

The Corporation has two reportable business segments, wholesale and retail, which are monitored by executive management for the purposes of making decisions about resource allocation and performance management. The wholesale segment reflects the results from the manufacturing and distribution of beer, cider, and other alcoholic and non-alcoholic beverages to provincial liquor boards, grocery chains, and on-premises customers which are subsequently sold to end consumers as well as the results from co-packing. The retail segment includes sales of beverages, food, and merchandise to consumers through premises owned and/or operated by the Corporation.

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

SEGMENTED RESULTS

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)

Three months ended December 30	Wholesale		Retail		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	**2023**	2022
Net revenue	8,797	10,278	207	320	(33)	(50)	**8,971**	10,548
Cost of sales	6,134	10,012	135	170	(33)	(50)	**6,236**	10,132
Gross profit (loss)	2,663	266	72	150	–	–	**2,735**	416
Selling expenses	2,364	2,092	4	28	–	–	**2,368**	2,120
Segment profit (loss)	**299**	**(1,826)**	**68**	**122**	**–**	**–**	**367**	(1,704)
General and administrative cost							**1,729**	1,936
Depreciation and amortization							**146**	176
Operating income (loss)							**(1,508)**	(3,816)
Finance expense							**557**	360
Other							**45**	1,168
Income (loss) before income taxes							**(2,111)**	(5,344)

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

($000)	**December 30, 2023**	December 30, 2022
Debt	**16,593**	13,750
Lease liabilities [(1)]	**3,002**	3,767
Less: Cash	**(1,039)**	(612)
Net debt [(2)]	**18,556**	16,905
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 capitalization [(3)]	**41,082**	42,107
Net debt to total capitalization ratio [(4)]	**45%**	40%

(1) Includes current and non-current portions.
(2) Capital management measure. See "*Non-GAAP Measures*".
(3) Non-GAAP financial measure. See "*Non-GAAP Measures*".
(4) Non-GAAP ratio. See "*Non-GAAP Measures*".

Capital Strategy

The Corporation's capital consists of debt and equity. To maintain or adjust the Corporation's capital structure, Big Rock may issue new public securities, issue or renegotiate its debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents. The budget is updated as necessary depending on numerous factors, including capital deployment, results from operations, general industry conditions, and government policy changes.

See "*Going Concern*" in this MD&A.

Net Working Capital

Net working capital is a capital management measure and is defined as current assets less accounts payable, accrued liabilities, and current portion of debt (see *"Non-GAAP Measures")*. The Corporation had a net working capital deficit of $0.6 million as of December 30, 2023. This represents an improvement of $3.2 million from December 30, 2022 resulting from higher inventory levels and cash balances, as well as a lower current portion of long term debt associated with scheduled principal repayments on the ATB facility (see *"Liquidity and Capital Resources - Debt"*).

Debt

During the year ended December 30, 2023, the Corporation repaid $0.7 million of term debt and drew $3.4 million on its operating facility with ATB. Details on amounts outstanding under the Corporation's credit facilities are as follows:

($000)	**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
Non-current	**11,744**	8,045

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

($000)	Expiry date	**December 30, 2023**	December 30, 2022
Tranche 1	December 31, 2024	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

At December 30, 2023, the Corporation had $0.7 million available on its operating facility. The Corporation's senior secured lender (ATB) has provided a letter of credit to collateralize excise remittances to the Canada Revenue Agency; this letter of credit reduces the overall operating line availability by $0.575 million. The Corporation remains current with each of its remittances to the Canada Revenue Agency.

On January 17, 2024, the Corporation announced that it had added $4.2 million in borrowings from VN Capital for a combined total of $8.5 million in Second Lien Financing from VN Capital and that the maturity date of the Second Lien Financing facility was extended from June 30, 2024 to December 31, 2024. The initial $4.3 million of 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) is expected to be used to finance working capital, the replacement of packaging equipment to allow 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.

Under terms of the Corporation's credit facilities with ATB (which were amended in November 2022) there are several positive and negative covenants on the Corporation, including the maintenance of certain financial covenants which are tested monthly and at each reporting date. The rolling fixed charge ratio has been waived by ATB for the fourth quarter of fiscal 2022 and for the entirety of fiscal 2023. The Corporation is subject to a current ratio that is to be monitored and tested monthly and shall not be less than 1.0:1.0 commencing December 30, 2022, increasing to 1.1:1.0 effective June 30, 2023 and increasing to 1.25:1.0 effective September 30, 2023. In addition, the Corporation is subject to an EBITDA covenant where the Corporation's EBITDA shall be no less than reflected in the table below.

Fiscal quarter ending:	**Minimum EBITDA - year-to-date, except December 30, 2022 ($000)**
December 30, 2022	(861)
March 31, 2023	(684)
June 30, 2023	748
September 30, 2023	1,945
December 30, 2023	2,160

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

The Corporation is working with ATB to set the financial targets and covenants for 2024 and thereafter. As noted above, Big Rock did not achieve the fourth quarter 2023 Minimum Adjusted EBITDA target by approximately $0.6 million. The increase to the Second Lien Financing in January 2024 cured this deficiency, as provided for in the existing agreement with ATB.

Lease Liabilities

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

($000)	**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)
Lease liabilities, end of year	**3,002**	3,767
Current	**659**	668
Non-current	**2,343**	3,099

Capital Expenditures

During the three months ended December 30, 2023, $0.2 million (full year 2023 - $0.3 million) was spent on capital expenditures for production equipment, computer equipment and digital transformation initiatives.

Equity

As of the date of this MD&A, the Corporation had 6,981,628 common shares outstanding less 7,425 common shares held in trust to resource employee compensation programs.

In addition, as of the date of this MD&A, 109,116 common shares are potentially issuable to satisfy the Corporation's outstanding restricted share units. None of the Corporation's outstanding share options are "in the money".

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

($000)	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**	**491**	**-**

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.

OFF BALANCE SHEET ARRANGEMENTS

Big Rock does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet, other than the operating leases summarized in "*Commitments and Contractual Obligations*" herein.

RISK FACTORS

The Corporation is exposed to business risks that are inherent to the alcoholic beverage industry, as well as those governed by the individual nature of the Corporation's operations, the details of which are set out in the AIF, which is available on SEDAR+ at www.sedarplus.ca.

GOING CONCERN

The 2023 Annual Financial Statements 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. Despite the noted improvement in the financial performance on a year-over-year basis, during 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 ATB credit facility imposes a number of positive and negative covenants on the Corporation more fully described in Note 14 of the 2023 Annual Financial Statements.

There remains a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. The 2023 Annual Financial Statements do not include adjustments to the recoverability and classification of recorded asset 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 2023 Annual Financial Statements. Such adjustments could be material.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in Big Rock's critical accounting estimates in the three months and one year ended December 30, 2023. Further information on the Corporation's accounting policies, critical estimates, and judgements can be found in the notes to the 2023 Annual Financial Statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Big Rock did not use any derivative financial instruments or other instruments in the three months or years ended December 30, 2023, and December 30, 2022.

CERTIFICATION OF DISCLOSURES IN QUARTERLY FILINGS

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Corporation quarterly issues a Certification of Interim Filings ("**Certification**"). The Certification requires certifying officers to state that they are responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**").

The Certification requires certifying officers to state that they designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the certifying officers by others; (ii) information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities legislation. In addition, the Certification requires certifying officers to state that they have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

There were no changes in the Corporation's internal control over financial reporting during the year ended December 30, 2023 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. The Corporation has procedures in place relating to DC&P and ICFR and will continue to monitor such procedures as the Corporation's business evolves.

NON-GAAP MEASURES

The Corporation uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by IFRS nor 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. The following terms "net working capital", "net debt", "total capitalization", "Adjusted EBITDA" and "net debt to total capitalization ratio" are not recognized measures under GAAP and may not be comparable to that reported by other companies. In addition to net loss and cash flow from operating activities, management of the Corporation uses these non-GAAP measures to evaluate the Corporation's operating performance and leverage.

Net working capital: is a capital management measure that is defined as current assets less accounts payable, accrued liabilities, and current portion of debt.

Net debt: is a capital management measure that is defined as the Corporation's current and non-current portions of debt, license obligation, and lease liabilities less cash.

Total capitalization: is a non-GAAP financial measure calculated by adding shareholders' equity and net debt. A reconciliation of total capitalization to cash, total debt and total shareholders' equity and a reconciliation of net debt to cash and total debt are provided under "*Liquidity and Capital Resources – Capitalization*".

Adjusted EBITDA: is a non-GAAP financial measure that the Corporation uses to measure operating performance and borrowing capacity. Adjusted EBTDA is calculated by adding back to net income, interest, income taxes, depreciation and amortization, impairment of property, plant and equipment, impairment on co-packing customer receivable, share based payment adjustments, gains and losses on disposal of assets and gain on extinguishment. A reconciliation of Adjusted EBITDA to net loss, the nearest GAAP measure, is contained under "*Results of Operations – Adjusted EBITDA*".

Net Debt to Total Capitalization Ratio: is a non-GAAP financial ratio that is calculated by dividing net debt by total capitalization.

Readers are cautioned that these measures should not be construed as an alternative to net income, cash flows from operating activities or other relevant GAAP measures as calculated under GAAP.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A 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 MD&A 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 MD&A and are expressly qualified, in their entirety, by this cautionary statement.

This MD&A contains forward-looking statements pertaining to the following:

- Big Rock's long-term growth strategy and the anticipated benefits to be derived therefrom;
- Big Rock's aim to gain market share and "premiumize" its branded portfolio;

- Big Rock's expectations that a renewed focus on innovation and co-creation of new products with its strategic partners will increase market demand and further enable the Corporation to gain market share;
- Big Rock's expectations regarding the non-alcoholic market and its growth;
- Big Rock's plan to continue to focus on product innovation and development in the premium alcoholic and non-alcoholic beverage categories;
- Big Rock's expectations with respect to product innovation releases in 2024;
- Big Rock's expectations that it will continue to realize overhead and labour cost efficiencies and improved cost absorption through increased co-packing volumes and continued focus on streamlining processes around forecasting and production planning;
- that Big Rock is well-positioned to realize the benefits of increased co-packing production going forward and that its 2024 co-packing contracts are anticipated to return to or exceed levels seen during 2022;
- Big Rock's expectations that its focus on streamlining processes around forecasting and production planning will enable the Corporation to realize operational efficiencies and drive margin growth;
- Big Rock's expectation that, where possible, it will continue to employ the strategy of balancing production and sales between quarters to allow for a reduction of operating costs and the anticipated benefits to be derived therefrom, including that such strategy will support Big Rock's vision to become Canada's largest and most stable independent brewer;
- Big Rock's updated financial projections for fiscal 2024 and the expectations that it will have sufficient cash flows to cover forecasted expenses and will return to profitability;
- Big Rock's expectations that it will be in compliance with its financial covenants for the next 12 months;
- Big Rock's expectations with respect to the use of the additional $4.2 million Second Lien Financing;
- that Big Rock is positioned for further growth;
- that Big Rock will continue to take actions to increase revenues and lower costs to provide confidence that the Corporation will meet expectations for the 2024 fiscal year;
- Big Rock's business plans, outlook, and strategy;
- Big Rock's vision to become Canada's largest independent brewer;
- Big Rock's ability to maintain or adjust its capital structure through issuing new public securities, issuing or renegotiating its debt, acquiring or disposing of assets or adjusting the amount of cash or cash equivalents;
- Big Rock's future term debt payments of principal and interest and the anticipated timing thereof; and
- Big Rock's anticipated commitments and contractual obligations and the anticipated timing thereof.

With respect to the forward-looking statements listed above and FOFI (as defined below) contained in this MD&A, management has made assumptions regarding, among other things:

- Big Rock's ability to continue as a going concern;
- that Big Rock's long-term growth strategy will support it in becoming Canada's largest and most stable independent brewer;
- volumes in the current fiscal year will remain constant or will increase;
- 2024 co-packing volumes will return to or exceed 2022 levels;
- The non-alcoholic market will continue to rapidly grow;
- 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;
- seasonal fluctuations in demand;
- that innovation and co-creation of new products with Big Rock's strategic partners will increase market demand and further enable the Corporation to gain market share; and
- that a continued focus on streamlining processes around forecasting and production planning will enable the Corporation to continue to realize operational efficiencies and drive margin growth.

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 and FOFI contained herein include the risk factors set out in the AIF and include, but are not limited to:

- the risk that Big Rock may not be able to renegotiate a refinancing of its existing credit facility terms with ATB given the event of default;
- that the year-over-year growth in Big Rock's co-packing arrangements may be less than anticipated;
- the inability to grow demand for Big Rock's products;
- the risk that Big Rock may not have an increase in market demand or market share;
- the risk that Big Rock may not realize overhead and labour cost efficiencies;
- the risk that Big Rock may not realize the benefits of increased co-packing production;
- the risk that Big Rock may not realize operational efficiencies or margin growth;
- the risk that Big Rock may not have sufficient cash flows to cover forecasted expenses or return to profitability; and
- the risk that Big Rock may not be in compliance with its financial covenants for the next 12 months.

Any financial outlook or future oriented financial information (in each case "**FOFI**") contained in this MD&A regarding prospective financial position, including, but not limited to: Big Rock's expectations that innovation and co-creation of new products with its strategic partners will increase market demand and further enable the Corporation to gain market share; the Corporation's expectations that it will continue to realize overhead and labour cost efficiencies; Big Rock's expectations that its continued focus on streamlining processes around forecasting and production planning will enable the Corporation to continue to realize operational efficiencies and drive margin growth; Big Rock's updated financial projections for fiscal 2024 and the expectations that it will have sufficient cash flows to cover forecasted expenses and will return to profitability; Big Rock's expectations that it will be in compliance with its financial covenants for the next 12 months; that Big Rock will continue to take actions to increase revenues and lower costs to provide confidence that the Corporation will achieve budget for the year; Big Rock's ability to maintain or adjust its capital structure through issuing new public securities, issuing or renegotiating its debt, acquiring or disposing of assets or adjusting the amount of cash or cash equivalents; Big Rock's future term debt payments of principal and interest and the anticipated timing thereof; and Big Rock's anticipated commitments and contractual obligations, are based on reasonable assumptions about future events, including those described above, based on an assessment by management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such FOFI contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this MD&A and the Corporation disclaims any intention or obligation to update or revise any such information, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law.

Readers are cautioned that the foregoing list of assumptions and risk factors is not exhaustive. The forward-looking information and statements and FOFI contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information and statements and FOFI included in this MD&A are made as of the date hereof and Big Rock does not undertake any obligation to publicly update such forward-looking information and statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.