

**BIG ROCK BREWERY INC.****Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)****Unaudited***(In thousands of Canadian dollars, except per share amounts)*

	Note	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
<b>Revenue</b>					
Net revenue	3	12,344	12,702	20,926	23,153
Cost of sales	4	8,218	8,904	15,063	16,392
Gross profit		4,126	3,798	5,863	6,761
<b>Expenses</b>					
Selling expenses	4	2,945	1,907	5,241	4,381
General and administrative	4	1,686	1,704	3,264	2,146
Depreciation and amortization	4	162	144	324	335
Operating expenses		4,793	3,755	8,829	6,862
Operating (loss) income		(667)	43	(2,966)	(101)
Finance expenses		587	547	1,361	1,010
Gain on dispositions - net	7	(1,474)	(5)	(1,474)	(217)
Other (income) expense		—	(84)	—	13
Income (loss) before income taxes		220	(415)	(2,853)	(907)
<b>Income tax recovery</b>					
Deferred		—	(75)	—	(312)
		—	(75)	—	(312)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>220</b>	<b>(340)</b>	<b>(2,853)</b>	<b>(595)</b>

**Per share amounts**

Basic and diluted	5	\$ 0.03	\$ (0.05)	\$ (0.41)	\$ (0.09)
Segmented information	15				
Subsequent events	17				

*See accompanying notes to the condensed interim consolidated financial statements.*

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

As at	Note	June 30, 2024	December 30, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash		889	1,039
Accounts receivable		5,971	2,933
Inventories	6	8,146	8,932
Prepaid expenses and deposits		1,046	1,668
Assets held for sale		51	51
		<b>16,103</b>	<b>14,623</b>
<b>Non-current</b>			
Property, plant, and equipment	7	35,824	36,668
Intangible assets		954	1,366
Deferred income tax		134	134
		<b>36,912</b>	<b>38,168</b>
<b>Total assets</b>		<b>53,015</b>	<b>52,791</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10	11,343	10,407
Current portion of debt	9	9,695	4,849
Current portion of lease liabilities	8	566	659
Share-based payments	12	263	263
		<b>21,867</b>	<b>16,178</b>
<b>Non-current</b>			
Debt	9	9,317	11,744
Lease liabilities	8	2,154	2,343
		<b>11,471</b>	<b>14,087</b>
<b>EQUITY</b>			
Shareholders' capital	11	113,910	113,775
Contributed surplus		3,051	3,182
Accumulated deficit		(97,284)	(94,431)
		<b>19,677</b>	<b>22,526</b>
<b>Total liabilities and shareholders' equity</b>		<b>53,015</b>	<b>52,791</b>
Going concern	2		
Commitments and contractual obligations	16		
Subsequent events	17		

See accompanying notes to the condensed interim consolidated financial statements.

*"Stephen Giblin"*

On behalf of the Board of Directors: Stephen Giblin, Director

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

	Note	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
<b>OPERATING ACTIVITIES</b>					
Net income (loss) and comprehensive income (loss)		220	(340)	(2,853)	(595)
Items not affecting cash:					
Depreciation and amortization	4	827	986	1,654	2,149
Gain on dispositions - net	7	(1,474)	(5)	(1,474)	(217)
Share-based payments	12	(130)	(10)	(131)	(231)
Amortized debt issue costs	9	(23)	45	(12)	89
(Gain) Loss on debt modification	9	(58)	—	85	—
Deferred income tax recovery		—	(75)	—	(312)
		(638)	601	(2,731)	883
Change in non-cash working capital related to operating activities		630	(1,029)	1,024	(2,813)
<b>Cash provided by (used in) operating activities</b>		<b>(9)</b>	<b>(428)</b>	<b>(1,707)</b>	<b>(1,930)</b>
<b>FINANCING ACTIVITIES</b>					
Advances of debt - net	9	322	478	2,693	2,408
(Repayment) advances of term debt	9	(176)	65	(347)	65
Shares issued in settlement of stock-based compensation		135	—	135	—
Repayment of lease liabilities	8	(130)	(152)	(282)	(404)
<b>Cash provided by financing activities</b>		<b>151</b>	<b>391</b>	<b>2,199</b>	<b>2,069</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant, and equipment	7	(926)	(11)	(1,653)	(171)
Purchase of intangibles		—	—	—	(6)
Proceeds from sale of property, plant, and equipment		2,728	6	2,728	490
Change in non-cash working capital related to investing activities		(1,597)	—	(1,717)	—
<b>Cash provided by (used in) investing activities</b>		<b>205</b>	<b>(5)</b>	<b>(642)</b>	<b>313</b>
Net increase (decrease) in cash		348	(42)	(150)	452
Cash, beginning of period		541	1,107	1,039	613
<b>Cash, end of period</b>		<b>889</b>	<b>1,065</b>	<b>889</b>	<b>1,065</b>

See accompanying notes to the condensed interim consolidated financial statements.

**BIG ROCK BREWERY INC.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

Unaudited

*(In thousands of Canadian dollars)*

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
As at December 30, 2023		113,775	3,182	(94,431)	22,526
Share-based payments	12	—	4	—	4
Shares held in trust issued	12	90	(90)	—	—
Shares issued from treasury	12	45	(45)	—	—
Net loss and comprehensive loss		—	—	(2,853)	(2,853)
<b>As at June 30, 2024</b>		<b>113,910</b>	<b>3,051</b>	<b>(97,284)</b>	<b>19,677</b>

	Note	Shareholders' capital	Contributed surplus	Accumulated deficit	Total
As at December 30, 2022		113,746	2,954	(91,498)	25,202
Share-based payments	12	36	134	—	170
Purchase of shares held in trust		(20)	—	—	(20)
Shares held in trust issued		13	(13)	—	—
Net loss and comprehensive loss		—	—	(595)	(595)
<b>As at June 30, 2023</b>		<b>113,775</b>	<b>3,075</b>	<b>(92,093)</b>	<b>24,757</b>

*See accompanying notes to the condensed interim consolidated financial statements.*

## **BIG ROCK BREWERY INC.**

### **Notes to the Condensed Interim 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 and other alcoholic and non-alcoholic products, 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 condensed interim consolidated financial statements for the three and six months ended June 30, 2024 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 six months ended June 30, 2024, the Corporation incurred a net loss of \$2.9 million. The Corporation has \$3.8 million drawn on its operating facility as at June 30, 2024. The credit facility imposes a number of positive and negative covenants on the Corporation more fully described in Note 9.

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 condensed interim consolidated financial statements. Such adjustments could be material.

##### **Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applicable to the presentation of interim financial statements and International Accounting Standards (“**IAS**”) 34, Interim Financial Reporting, as the accounting policies applied in these condensed interim consolidated financial statements are based on IFRS as issued, outstanding and effective June 30, 2024.

Certain disclosures that are normally required to be included in the notes to the annual audited financial statements have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 30, 2023.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 13, 2024.

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

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

**Basis of measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value through profit or loss. These condensed interim 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 condensed interim consolidated financial statements include the accounts of Big Rock and each of its wholly-owned subsidiaries. Subsidiaries are those enterprises controlled by the Corporation. The following companies have been consolidated within the condensed interim consolidated financial statements:

<b>Company</b>	<b>Registered</b>	<b>Holding</b>	<b>Functional Currency</b>
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 condensed interim consolidated financial statements.

**Basis of presentation**

These condensed interim 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.

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Corporation for the year ended December 30, 2023. These condensed interim consolidated financial statements do not include all of the information and disclosures required in the Corporation's annual consolidated financial statements and should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended December 30, 2023.

**BIG ROCK BREWERY INC.****Notes to the Condensed Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***3. NET REVENUE**

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Gross product revenues	\$ 15,792	\$ 17,018	\$ 27,080	\$ 30,657
Federal excise taxes	(1,200)	(1,672)	(2,029)	(2,589)
Provincial liquor tax programs	(2,248)	(2,644)	(4,125)	(4,915)
<b>Net revenue</b>	<b>\$ 12,344</b>	<b>\$ 12,702</b>	<b>\$ 20,926</b>	<b>\$ 23,153</b>

Gross product revenues include wholesale beer, cider and other alcoholic and non-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.

**4. EXPENSES BY NATURE**

Expenses related to depreciation, amortization and personnel are included within the following line items on the condensed interim consolidated statements of net income (loss) and comprehensive income (loss):

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
<b>Depreciation and amortization</b>				
Cost of sales	\$ 665	\$ 842	\$ 1,330	\$ 1,814
Depreciation and amortization	162	144	324	335
<b>Salaries, wages, and benefits</b>				
Cost of sales	1,882	1,489	3,300	2,847
Selling expenses	602	496	1,205	972
General and administrative	576	240	1,266	619
<b>Share based payments</b>				
General and administrative	5	75	4	(146)

**5. PER SHARE AMOUNTS**

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income (loss) - basic	\$ 220	\$ (340)	\$ (2,853)	\$ (595)
Effect of dilutive securities	—	—	—	—
Net income (loss) - diluted	\$ 220	\$ (340)	\$ (2,853)	\$ (595)
Weighted average shares				
Issued common shares	6,990	6,979	6,982	6,979
Effect of shares held in trust	—	(4)	—	(2)
Weighted average shares - basic	6,990	6,975	6,982	6,977
	523			
Effect of dilutive securities		326	—	194
Weighted average shares - diluted	7,513	7,301	6,982	7,171
Per share amounts				
Basic	\$ 0.03	\$ (0.05)	\$ (0.41)	\$ (0.09)
Fully diluted	\$ 0.03	\$ (0.05)	\$ (0.41)	\$ (0.09)

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

As at	June 30, 2024	December 30, 2023
Raw materials and containers	1,710	1,880
Brews in progress	849	484
Finished product	4,199	5,785
Consignment product	1,362	759
Retail store	26	24
<b>Total inventories</b>	<b>8,146</b>	<b>8,932</b>

During the six months ended June 30, 2024, charges of \$0.5 million, (year ended December 30, 2023 - \$0.6 million) were recorded to the condensed interim consolidated statements of net income (loss) and comprehensive income (loss) relating to damaged or obsolete inventories. There were no reversals of amounts previously recorded in respect of inventory write-downs during the six months ended June 30, 2024 nor during the year ended December 30, 2023.

**7. PROPERTY, PLANT, AND EQUIPMENT**

	Land and Buildings	Machinery and equipment	Office furniture and equipment	Right of use assets	Total
<b>Cost</b>					
As at December 30, 2023	26,668	34,200	2,436	3,765	67,069
Additions	—	1,653	—	—	1,653
Dispositions	(1,566)	—	—	—	(1,566)
<b>As at June 30, 2024</b>	<b>25,102</b>	<b>35,853</b>	<b>2,436</b>	<b>3,765</b>	<b>67,156</b>
<b>Accumulated depreciation</b>					
As at December 30, 2023	7,036	19,734	2,356	1,275	30,401
Depreciation	348	622	27	245	1,242
Dispositions	(311)	—	—	—	(311)
<b>As at June 30, 2024</b>	<b>7,073</b>	<b>20,356</b>	<b>2,383</b>	<b>1,520</b>	<b>31,332</b>
<b>Net book value</b>					
As at December 30, 2023	19,632	14,466	80	2,490	36,668
<b>As at June 30, 2024</b>	<b>18,029</b>	<b>15,497</b>	<b>53</b>	<b>2,245</b>	<b>35,824</b>

During the year, to comply with Canada's ban on single-use plastics, the Corporation purchased and commissioned a new paper hi-cone machine at a cost of \$1.2 million. The Corporation also committed to the purchase of a machine that will provide a solution for in-line packaging of canned products and variety packing. Included in additions was a deposit of \$0.4 million for this equipment against the total \$1.5 million purchase commitment made. The QuikFlex™ 2100G<sup>3</sup> was commissioned in July 2024.

Also during the second quarter of 2024, the Corporation entered into a cross-docking arrangement with a third party and sold its Edmonton warehouse for proceeds, net of closing costs, of \$2.7 million. The warehouse had a net book value of \$1.2 million, resulting in a gain on sale of \$1.5 million. Included in accounts receivable is \$1.7 million from the proceeds received, which is being held by the Alberta Treasury Branch to finance the balance of the capital additions program for 2024.



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

As at	June 30, 2024	December 30, 2023
Lease liabilities, beginning of year	3,002	3,767
Disposals	—	(18)
Interest expense	50	136
Lease payments	(332)	(883)
	<b>2,720</b>	<b>3,002</b>
Current	566	659
Non-current	2,154	2,343
	<b>2,720</b>	<b>3,002</b>

Big Rock has lease liabilities for contracts related to real estate within buildings and vehicle leases. The weighted average discount rate for the six months ended June 30, 2024 was 4.3 percent (December 30, 2023 - 4.3 percent). As at June 30, 2024, the undiscounted future lease payments are \$3.2 million (December 30, 2023 - \$3.6 million).

**9. DEBT**

The Corporation has a credit facility with a financial institution owned by the Government of Alberta (“ATB”). 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.

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 January 11, 2024, the Corporation added \$4.2 million in borrowings for a total of \$8.5 million in second lien financing from VN Capital Fund I, LP, a company related through a common director. The maturity date of the facility was also extended from June 30, 2024 to December 31, 2024. A loss on a debt term modification of \$0.1 million was recognized during the first half of the year associated with the extension of, and amendment to the interest rate arrangements. Per IFRS 9 - Financial Instruments, this loss will be reversed by year end.

During the six months ended June 30, 2024, the Corporation repaid \$1.5 million of its operating facility, repaid \$0.3 million on its term facility and drew \$4.2 million on its second lien financing facility with VN Capital Fund I, LP.

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

Details on amounts outstanding under these facilities are as follows:

As at	June 30, 2024	December 30, 2023
Operating facility - principal	3,761	5,290
Term debt - principal and accrued interest	15,313	11,461
Loss on debt modification	84	—
Debt issue costs	(146)	(158)
	19,012	16,593
Current	9,695	4,849
Non-current	9,317	11,744

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

	Expiry date	June 30, 2024	December 30, 2023
Tranche 1	December 31, 2024	8,500	4,300
Tranche 2	April 30, 2025	264	368
Tranche 3	February 28, 2026	486	584
Tranche 4	September 9, 2027	414	458
Tranche 5	February 28, 2031	2,455	2,499
Tranche 6	December 31, 2031	3,194	3,252
Total term debt outstanding		15,313	11,461

The loan 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 Corporation's 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.

In 2022, Big Rock and ATB signed an Acknowledgement and Reservation of Rights letter where ATB imposed additional conditions on the Corporation. 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.

Pursuant to this arrangement, as part of the annual review, Big Rock and ATB are working to finalize benchmarks and financial covenants applicable to the 2024 fiscal year and beyond.

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at	June 30, 2024	December 30, 2023
Trade payables	5,121	6,341
Container deposits	533	517
Accruals and other	5,689	3,549
<b>Total accounts payable and accrued liabilities</b>	<b>11,343</b>	<b>10,407</b>

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

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

<i>(thousands)</i>	As at June 30, 2024		As at December 30, 2023	
	# of shares	\$ Amount	# of shares	\$ Amount
Outstanding, beginning of period	6,974	113,775	6,978	113,746
Shares issued from treasury	16	90	—	—
Shares held in trust purchased	—	—	(8)	(20)
Shares held in trust issued	8	45	4	13
RSU value	—	—	—	36
<b>Outstanding, end of period</b>	<b>6,998</b>	<b>113,910</b>	<b>6,974</b>	<b>113,775</b>

Effective April 29, 2024, Big Rock granted 30,000 stock options and 212,477 restricted share units to certain employees, officers, directors and advisors of the Corporation pursuant to the Corporation's long term incentive plan. An additional 16,215 common shares were issued from treasury and 7,425 from shares held in trust in satisfaction of the restricted share units that had vested.

**12. SHARE-BASED PAYMENTS**

Share-based compensation expense, included in general and administrative expenses, and recognized in the condensed interim consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2024 and 2023 include:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Equity settled plans:				
Options expense	(30)	318	(19)	318
Restricted share unit expense	35	—	23	(148)
	5	318	4	170
Cash settled plans:				
SARs fair value adjustments	—	(243)	—	(315)
<b>Total share-based payments</b>	<b>5</b>	<b>75</b>	<b>4</b>	<b>(145)</b>

The following table is a summary continuity of the number of share-based awards outstanding:

<i>(in thousands)</i>	Options	RSUs	SARs
December 30, 2023	315,232	109,116	93,636
Issued	30,000	212,477	—
Exercised	—	(39,197)	—
Expired	—	(48,442)	—
<b>June 30, 2024</b>	<b>345,232</b>	<b>233,954</b>	<b>93,636</b>

**BIG ROCK BREWERY INC.****Notes to the Condensed Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***13. CAPITAL RISK MANAGEMENT**

The Corporation defines its capital to include common shares plus current and non-current debt and lease liabilities 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	June 30, 2024	December 30, 2023
Debt	19,012	16,593
Lease liabilities	2,720	3,002
Total debt	21,732	19,595
Shareholders' equity		
Shareholders' capital	113,910	113,775
Contributed surplus	3,051	3,182
Accumulated deficit	(97,284)	(94,431)
Total shareholders' equity	19,677	22,526
Total debt and shareholders' equity	41,109	42,121
Less: Cash	(889)	(1,039)
<b>Total capitalization (total debt plus shareholders' equity, net of cash balances)</b>	<b>40,520</b>	<b>41,082</b>

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 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 9.

**14. 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 Condensed Interim Consolidated Financial Statements***(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated)***15. 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 and non-alcoholic beverages to and through provincial liquor boards which are subsequently sold on to end consumers, as well as the results from co-packing/contract arrangements. 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 condensed interim 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***

Six months ended June 30	Wholesale		Retail		Eliminations		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023
Net revenue	20,588	22,880	396	386	(58)	(113)	20,926	23,153
Cost of sales	14,943	16,222	178	283	(58)	(113)	15,063	16,392
Gross profit	5,645	6,658	218	103	—	—	5,863	6,761
Selling expenses	5,237	4,372	4	9	—	—	5,241	4,381
Segment profit	408	2,286	214	94	—	—	622	2,380
General and administrative cost							3,264	2,146
Depreciation and amortization							324	335
Operating loss							(2,966)	(101)
Finance expense							1,361	1,010
Gain on dispositions - net							(1,474)	(217)
Other expense							—	13
Loss before income taxes							(2,853)	(907)

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

Three months ended June 30	Wholesale		Retail		Eliminations		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023
Net revenue	12,119	12,523	253	244	(28)	(65)	12,344	12,702
Cost of sales	8,150	8,805	96	164	(28)	(65)	8,218	8,904
Gross profit	3,969	3,718	157	80	–	–	4,126	3,798
Selling expenses	2,945	1,903	–	4	–	–	2,945	1,907
Segment profit	1,024	1,815	157	76	–	–	1,181	1,891
General and administrative cost							1,686	1,704
Depreciation and amortization							162	144
Operating income (loss)							(667)	43
Finance expense							587	547
Gain on dispositions - net							(1,474)	(5)
Other							–	(84)
Income (loss) before income taxes							220	(415)

**16. 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	312	624	–	–	–	–
Raw material purchase commitments	1,205	616	140	72	–	–
Marketing sponsorships	178	115	–	–	–	–
Capital commitments	1,148	–	–	–	–	–
Total	2,843	1,355	140	72	–	–

During the first quarter, the Corporation entered into a \$1.5 million purchase commitment for the purchase of packaging equipment to allow it to meet the requirements of its existing and prospective co-packing partners and to reduce reliance upon, and costs incurred with third-party vendors. To date \$0.4 million has been paid on this project with the balance to be paid at the conclusion of its installation in July 2024.

**17. SUBSEQUENT EVENTS**

Subsequent to the quarter ended June 30, 2024, the Corporation entered into a three-year arrangement that will see the Corporation produce and sell 50,000 hl or more in production volumes per year.