Big Rock
BREWERY

Financial Highlights

in thousands of Canadian dollars, unless otherwise noted	2012	2011
Sales volume (hl)	**217,646**	**220,973**
Net revenue	**46,057**	**45,183**
Net income	**4,135**	**2,533**
Earnings per share	**0.68**	**0.42**
Shareholders' equity	**32,071**	**32,449**

Annual Meeting of Shareholders

The annual meeting of the shareholders will be held at:

Big Rock Brewery, 5555 - 76th Avenue S.E., Calgary, AB, Canada
Thursday, May 16, 2013 at 2:00 pm (MST).

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CEO's Message

This past year, I took over as CEO from Ed McNally, the Founder and driving force behind Big Rock for 27 years. What I discovered upon my arrival was a craft brewery steeped in history and tradition, a company that consistently produced delicious, all natural, unpasteurized craft beer. I also discovered opportunity – for our employees and our shareholders.

That opportunity is innovation. The strength, size and reach of our craft brewery coupled with the ingenuity and creativity of our people and the drive we all share to create uncompromisingly good beer is transforming our company and our relationship with craft beer drinkers. This past year we introduced six new beers, some as 'seasonals' and others as full time members to the Big Rock family of outstanding beers. We also decided to introduce the craft beer community to Big Rock's most creative side with our first 'Alchemist Edition' beers. Both Ambrosia Wet Hop Ale and Barghest Barleywyne were instant favourites. I believe that the impact of our changes have contributed positively to both earnings and share price. This coming year we will release over 15 new beers, mostly as 'seasonals'. These beers will be brewed using unique and in some cases, ancient methods with ingredients sourced from around the globe.

Big Rock is entering its renaissance stage, where taste, smell and even colour of beer will be redefined. We will continue to pay passionate homage to the classic beer styles and methods to be sure, but the time has come to redefine Big Rock and explore new ground for craft beer. The time has come to expect the unexpected from Big Rock. It's going to be quite a journey.

Join us.

Bob Sartor
Chief Executive Officer

Brewmaster's Message

This is an exciting time for all of us at Big Rock. We have become an innovation machine with new ideas and creations coming out of the brewery on a daily basis. There seems to be a non-stop flow of steam billowing from the chimney of our pilot brew kettle as we churn out new concepts and head-turning beers.

With adventure and a bit of ingenuity, we formulate beers from cherries, raspberries, licorice, grapes, herbs and spices as well as caramelized wheat and rye. We have brewed traditional but rarely seen beer styles like Hellesbock and Dunkelweizen. We concocted some of our own new beer styles like Rye & Ginger and have been secretly tinkering with some ancient brewing techniques found buried in brewing history. Marketing has unveiled an aggressive campaign with clever creative designs, hip product launch parties and a comprehensive strategy to get our beer in the hands of the consumer.

In concert with the excitement and innovation coming out of our marketing and brewing departments, we have also seen an evolution on the production side with the development of a significantly revamped quality assurance and food safety program. As leaders in the craft beer industry we recognize the importance of beer stability, product consistency and quality control. We have dedicated much time and effort to fine tune our production policies and procedures so that we comply with international food safety standards. This is another ground breaking example of how Big Rock continues to be a pioneer of the craft beer industry.

Big Rock embodies the experience and expertise essential to achieve excellence. In combination with our employee culture and renewed climate of invention, inspiration and imagination, we are moving this company to one admired by the industry and the consumer for our trend setting accomplishments.

There is a buzz in the company. We are reenergized and refocused and the employees can feel it. We have a vision and a common goal: to be the leading craft brewer in the country. There is a sense of inclusion, visibility and camaraderie in each new initiative, which has resulted in an atmosphere of teamwork and a concerted effort by all to achieve the high goals that we have set for ourselves.

We took major strides in 2012 toward our vision. Big Rock has caused a stir and people are looking our way. Now we will show them what we can do.

Paul Gautreau
VP Operations & Brewmaster

big Rock
EDDIES

Student award winners in the print category, Dave Baxter and Priya Tandon with Big Rock CEO, Robert Sartor

19th Annual Big Rock Eddies

It's hard to believe that the first edition of the Big Rock Eddies happened nearly twenty years ago. Our 19th annual Eddies Gala was held in June 2012 at Calgary's EPCOR Center for Performing Arts, where over $25,000 in cash prizes were handed out to winners who created the best Big Rock video commercials and print ads. The event continued its longstanding theme of community support, with money raised for local charities like One Yellow Rabbit Performance Theatre, the Calgary Women's Emergency Shelter and the Epcor Centre for the Performing Arts.

Right: Brianna Schretlen and Leah Pearson. Second Place winners Video Category

Scottish Style Heavy Ale

It was a good year for Ed McNally's Signature Series, with our Scottish Style Heavy Ale winning the Gold Award at Beer Fest 2012 for Best Domestic Ale. After a successful run as a limited release product through the Brewmaster's Edition, the full -bodied, triple oak-aged brew joined our permanent line-up.

Rye & Ginger Ale

The 2012 summer offering of our Brewmaster's Edition family could only have come from Alberta. Uniting earthy rye malt with the zest of pure ginger, Rye & Ginger Ale was as lively and refreshing as its mixed drink namesake — a Canadian favourite. Available from May through September 2012, this mildly-hopped, copper-colored brew was the hit of the summer.

Folk Festivals

As a grassroots brewery home-grown in southern Alberta, we've always felt a kinship with the local arts community. That's why we consistently support Canadian culture and creativity by sponsoring music festivals across the country. Big Rock is not only the major sponsor of Calgary Folk Festival but also of many other leading Canadian festivals, from Vancouver and Edmonton to Regina and Winnipeg.

SAAZ launch

SAAZ Republic Pilz

Our fifth Brewmaster's Edition release was a hopped-up homage to traditional European-style pilsners. Combining authentic Czech saaz hops with local ingredients, SAAZ Republic Pilz is a proper pilsner, crafted with pride in Alberta. The SAAZ product launch parties, held in September 2012 at Wurst Beer Hall in Calgary and in October at MKT in Edmonton were a raucous success.

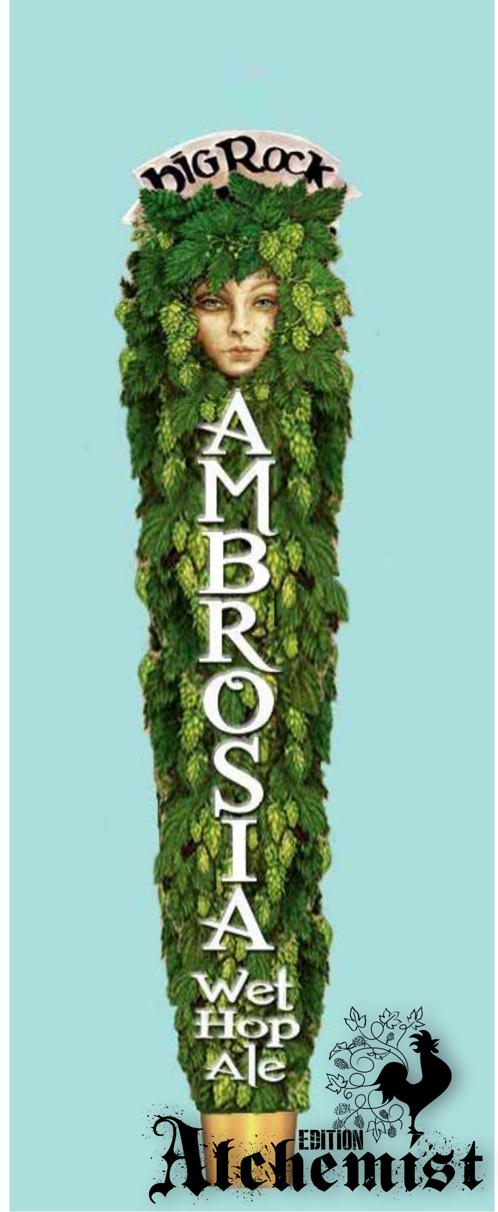
Ladies beer stein contest at SAAZ launch

Edition Alchemist

Since Ed McNally launched Big Rock in 1985, we have always been on the forefront of brewing innovation. Brewmaster Paul goes way out on a brewing limb with the Alchemist Edition series, a new collection of high-risk, high-reward beers that declares anarchy on the predictable. The series launched in October 2012 with the release of Ambrosia Wet Hop Ale, followed by Barghest Barleywyne.

Ambrosia ~Wet Hop Ale~

The first Alchemist Edition brew was a successful experiment by Brewmaster Paul in the art of wet-hopping. We sourced fresh hops from Washington's Yakima Valley, which were flown to Calgary and dropped in the brew kettle less than 24 hours from being picked off the vine. Released in October 2012, the result was a crisp, fresh-tasting brew available in keg format in limited quantities, which disappeared quickly.



473ml Cans

Launched on October 29, 2012, Big Rock Big Cans were an instant hit. "The single serve can is a growing package choice in the craft beer market place," says Brewmaster Paul Gautreau. "Our new 473ml can presents another opportunity for trial and variety to the selective beer consumer." The first Big Rock products were available in the Big Can are India Pale Ale, Scottish Style Heavy Ale and Rock Creek Cider.

Paul's Angels

Featuring two popular seasonal brews from yesteryear along with a new fall creation, Paul's Angels was the perfect trio of beers. Launched in October 2012 and available for a limited time, the open six-pack carried two bottles each of Autumn Wheat Lager, Espresso Stout, and Winter Spice Ale.

BARGHEST BARLEYWYNE

Brewmaster Paul Gautreau dipping the bottles

Freshly waxed Barghest bottles ready to package

Barghest Barleywyne

Decadent, dark, and delicious. That's the line on Barghest Barleywyne, the seductive second Alchemist Edition brew, released on November 1, 2012. With a year-long maturation period, we produced only 3000 bottles of this luxurious 9.5% brew, each hand-dipped in wax and individually boxed.

Management's Discussion and Analysis

(in thousands of Canadian dollars, unless otherwise stated)

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 year ended December 30, 2012, as compared to the year ended December 30, 2011.

This MD&A should be read in conjunction with the consolidated financial statements of the Corporation and accompanying notes as at, and for, the years ended December 30, 2012 and 2011 (the "Financial Statements"), which have been prepared using International Financial Reporting Standards for publicly accountable enterprises as adopted by the Canadian Accounting Standards Board ("IFRS"). All amounts are reported in thousands of Canadian dollars, unless otherwise noted.

Readers should also read the "Forward-Looking Statements" contained at the end of this document.

The MD&A is dated March 19, 2013.

CORPORATE PROFILE

Big Rock Brewery - headquartered in Calgary, Alberta - produces premium, all-natural craft beers. As Canada's leading craft brewer, Big Rock boasts a family of ten ales and lagers, Rock Creek dry apple cider, as well as an ongoing selection of seasonal beers.

Big Rock stands out as a Canadian producer, marketer, and distributor of premium quality specialty craft beers. We have sales and distribution facilities in Calgary and Edmonton, sales staff resident in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario and an agency arrangement for product sales in the Atlantic Provinces. Big Rock products are sold in nine provinces and three territories in Canada and also exported to Korea.

INDUSTRY TRENDS AND INDICATORS

The beer industry in Canada has become increasingly polarized, with growth occurring in value-priced products at one end of the spectrum and in premium craft beers at the other end. This growth is largely at the expense of products in the middle of the spectrum, which have been declining steadily over the past several years. The net result for the industry was a slight overall decline in sales volumes of 0.2% for 2012 as compared to 2011. Big Rock's shift in emphasis from volume growth to a focus on cashflow and maximized operating profit has meant a deliberate reduction in volumes as promotional pricing activities were scaled back. Therefore, despite the overall trends for its market segments, Big Rock saw a decline in sales volumes of 1.5% for the year ended December 30, 2012.

SELECTED ANNUAL FINANCIAL INFORMATION

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

	Year ended	
	Dec. 30 2012	Dec. 30 2011
Statements of Comprehensive Income Data		
Net sales revenue	46,057	45,183
Operating profit	5,618	3,343
Net income	4,135	2,533
Earnings per share (basic and diluted)	$ 0.68	$ 0.42
Dividends per share	$ 0.80	$ 0.80
Statements of Financial Position Data		
Total assets	46,300	45,170
Total debt	2,042	2,683

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volumes (hl)	46,188	62,276	61,615	47,567	48,961	69,540	60,479	41,993
Net revenue	10,239	13,281	12,935	9,602	10,023	14,019	12,339	8,802
Operating profit	832	2,395	2,311	80	1,140	1,434	776	(7)
Net income (loss)	595	1,749	1,683	108	856	1,084	619	(26)
Earnings per share (basic and diluted)	$ 0.10	$ 0.28	$ 0.28	$ 0.02	$ 0.14	$ 0.18	$ 0.10	$ 0.00
Dividends per share	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20

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

RESULTS OF OPERATIONS

Sales volumes decreased 5.7 percent for the three months ended December 30, 2012 and 1.5 percent for the year ended December 30, 2012 as compared to the same periods for 2011. Big Rock's consolidated net income for year ended December 30, 2012 was $4,135 compared to $2,533 in 2011. The increase in net income despite reduced volumes is a result of higher realized prices as well as cost reductions, particularly in selling expenses.

Management believes operating profit to be a more meaningful comparison to assess the Corporation's performance. For the quarter ended December 30, 2012, operating profit totalled $832 compared to $1,140 for the same period last year. The lower comparative operating profit in 2012 was driven mainly by depreciation in cost of sales, with slightly higher depreciation in the fourth quarter of 2012 combined with lower than normal depreciation in the fourth quarter of 2011, as discussed later in this MD&A. For the year ended December 30, 2012, operating profit increased to $5,618 from $3,343, driven by higher realized prices, reduced selling expenses and a shifting emphasis towards higher margin craft brands and markets.

Gross Profit

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Net revenue	10,239	10,023	216	46,057	45,183	874
Cost of sales:						
Ingredients and packaging materials	2,352	2,482	(130)	11,498	11,985	(487)
Labour	1,040	985	55	4,398	4,067	331
Overhead	640	654	(14)	2,355	2,905	(550)
Inventory movement	185	(123)	308	28	(385)	413
Depreciation	823	275	548	2,870	2,813	57
Cost of sales	5,040	4,273	767	21,149	21,385	(236)
Gross profit	5,199	5,750	(551)	24,908	23,798	1,110
Sales volumes (hl)	46,188	48,961	(2,773)	217,646	220,973	(3,327)

Net sales revenue includes product (beer and cider) sales. For the three months ended December 30, 2012, higher pricing increased net sales revenue by $216 compared to the same period of 2011 despite lower sales volumes, which decreased 5.7 percent to 46,188 hl from 48,961 hl. Sales volumes for the full year ended December 30, 2012 were 217,646, a 1.5 percent decrease from the 220,973 hl in 2011. Volume declines occurred primarily in the core craft brands on reduced limited time price offers on these brands in 2012 as compared to 2011. Volume growth was seen in cider and premium craft brands as well as in some value-priced products. Net sales revenue of $46,057 for the year was $874 higher than 2011 revenue of $45,183. Despite the 1.5 percent reduction in sales volumes, net revenue increased by 1.9 percent. This is attributable to higher overall realized prices from the combined impact of price increases, a reduction in limited time price offers and a shifting emphasis to higher-margin brands in higher-margin regions.

Geographically, volume growth occurred in the Corporation's key market of Alberta, while declines in volume were seen in BC, Ontario and the Maritimes as management focuses on withdrawing brands with low or negative margins in higher cost jurisdictions.

For the three months and year ended December 30, 2012, total cost of sales increased by $767 and decreased $236, respectively, compared to the same periods last year, as described below:

- For the quarter ended December 30, 2012, costs relating to ingredients and packaging materials decreased $130, while for the year ended December 30, 2012, costs decreased $487 compared to the same periods in 2011. These declines are a result of the reduced sales volume, primarily in bottled product, which has higher packaging costs.

- Big Rock's labour costs relating to production are primarily fixed in nature. When compared to the same periods in 2011, labour charges for the fourth quarter increased $55, while for the year ended December 30, 2012, labour costs increased by $331, primarily as a result of annual salary increases and higher bonuses on better performance under the Corporation's incentive program.

- Overhead costs include utilities, repairs and maintenance and other production-related amounts, which are primarily fixed in nature. Overhead costs at December 30, 2012 decreased by $14 compared to the three months ended December 30, 2011 and for the full year, overhead costs were lower by $550. The lower costs are due mainly to lower water utility charges and a refund of 2011 water utilities which was received in the first quarter of 2012.

- Inventory movement is a timing difference relating to the absorption of production costs into finished goods inventory on the statement of financial position, and the eventual charge to earnings for those costs as finished goods inventory is sold. For the three and twelve months ended December 30, 2012, charges relating to inventory movement increased by $308 and $413, respectively, compared with the same periods last year, which had seen a build-up of inventory in advance of a year-end plant shut down to upgrade the filter room floor.

On a per hectolitre basis, cost of sales increased by $21.85 per hl (25.0%) for the three months ended December 30, 2012, due primarily to inventory movement and higher relative depreciation charges. For the twelve months ended December 30, 2012, cost of sales increased by $0.39 per hectolitre (0.4%) due mainly to higher labour costs and the impact of inventory movement, which were partially offset by reduced ingredient and packaging and overhead costs.

Per Hectolitre Cost of Sales

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Net revenue	221.68	204.71	16.97	211.61	204.47	7.14
Cost of sales:						
Ingredients and packaging materials	50.91	50.68	0.23	52.82	54.24	(1.42)
Labour	22.52	20.12	2.40	20.21	18.40	1.81
Overhead	13.86	13.36	0.50	10.82	13.15	(2.33)
Inventory movement	4.01	(2.51)	6.52	0.13	(1.74)	1.87
Depreciation	17.82	5.62	12.20	13.19	12.73	0.46
Cost of sales	109.12	87.27	21.85	97.17	96.78	0.39

Selling Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Selling:						
Delivery and distribution	816	966	(150)	3,870	4,378	(508)
Salaries and benefits	805	781	24	3,640	3,808	(168)
Marketing	307	225	82	1,078	1,081	(3)
Regional sales	1,111	1,319	(208)	4,636	5,635	(999)
Community sponsorship and other	166	202	(36)	763	933	(170)
Total selling expenses	3,205	3,493	(288)	13,987	15,835	(1,848)

For the three months ended December 30, 2012, selling expenses decreased by $288 compared with the same period last year. For the year ended December 30, 2012, selling expenses decreased by $1,848 compared to the same period last year. These changes are detailed as follows:

- Delivery and distribution costs decreased $150 and $508 for the three months and twelve months ended December 30, 2012 as compared to the same periods in 2011 as a result of lower overall sales volumes, primarily in BC, Ontario and the Maritimes, which are the markets with highest delivery costs.

- Salaries and benefit costs increased by $24 for the quarter, while for the year ended December 30, 2012, salaries and benefit costs decreased $168 as compared to the prior year, due mainly to lower headcount, partially offset by annual salary increases and higher accruals under the annual incentive plan.

- Marketing costs increased by $82 for the quarter due to marketing strategy initiatives and new product development. For the year ended December 30, 2012, trade marketing costs decreased $3 as compared to the prior year.

- Regional sales expenses decreased by $208 and $999, respectively, for the quarter and year ending December 30, 2012 as compared to the same periods in 2011. These decreases were due mainly to reduced spending on sales programs, lower meals and travel expenses and lower costs associated with stale product returns, partially offset by higher commissions as a result of the transition to an agency arrangement in Ontario.

- Reductions in community sponsorship expenses of $36 and $170 for the three months and year ended December 30, 2012 as compared to the same periods in 2011 were a result of reduced activity and cost containment efforts.

On a per hectolitre basis, selling expenses decreased by $1.95 per hl (2.7%) for the three months ended December 30, 2012 compared to the same period in 2011. For the year ended December 30, 2012, selling expenses decreased by $7.40 per hl (10.3%). Reduced delivery and distribution, and regional sales expenses were the primary drivers of the decrease, as detailed in the following table:

Per Hectolitre Selling Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Sellings:						
Delivery and distribution costs	17.67	19.73	(2.06)	17.78	19.81	(2.03)
Salaries and benefits	17.43	15.95	1.48	16.72	17.23	(0.51)
Marketing	6.65	4.60	2.05	4.95	4.89	0.06
Regional sales	24.05	26.93	(2.88)	21.30	25.51	(4.21)
Community sponsorship and other	3.59	4.13	(0.54)	3.51	4.22	(0.71)
Selling expenses	69.39	71.34	(1.95)	64.26	71.66	(7.40)

General and Administrative Expenses

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
General and Administrative:						
Salaries and benefits	581	463	118	2,844	2,134	710
Professional fees	148	191	(43)	706	675	31
Building maintenance and taxes	136	155	(19)	572	596	(24)
Office, administrative and other	121	152	(31)	459	491	(32)
Reporting and filing fees	18	26	(8)	82	159	(77)
Insurance	60	47	13	211	171	40
Bank charges	8	3	5	71	55	16
Total general and administrative expenses	1,072	1,037	35	4,945	4,281	664

For the three months and year ended December 30, 2012, general and administrative expenses increased by $35 and $664, respectively, compared with the same periods last year as detailed below:

- Salaries and benefit costs increased for the three months and year ended December 30, 2012 by $118 as a result of salary increases and higher accruals under the annual incentive program. The larger increase of $710 on a year to date basis is due to higher stock compensation expenses than incurred in 2011 as well as one-time items, including severance payments, recruiting costs and a change in timing of the annual employee service awards.

- Professional fees, which include legal, audit, tax and accounting advisory services, decreased by $43 for the three months as a result of lower recruitment costs and increased by $31 for the full year as a result of higher legal and advisory fees on new product introductions and strategic initiatives, offset partially by lower audit fees.

- Building maintenance and taxes decreased primarily as a result of lower 2012 business and property taxes.

- Office, administration and other, which include IT related amounts, memberships, dues and licenses, travel and automotive costs, and corporate hospitality, decreased $31 for the three months and $32 for the full year ended December 30, 2012. Reduced corporate hospitality spending was the biggest contributor to the year over year decline.

- Reporting and filing fees declined by $8 for the three months ended December 30, 2012 compared to the same period last year. On a full year basis, report and filing fees decreased by $77 as a result of higher listing fees charged in the prior year by the TSX following the conversion from a trust.

- In 2012, both the fourth quarter and full year insurance costs were higher than for the comparative periods in 2011 by $13 and $40, respectively, due to additional coverage.

- When compared to the same periods last year, bank charges were higher due to costs associated with the Corporation's credit facility.

Depreciation and Amortization

	Three months ended			Twelve months ended		
	Dec. 30 2012	2011	Dec. 30 Change	Dec. 30 2012	2011	Change
Depreciation included in cost of sales	822	275	547	2,870	2,813	57
Depreciation - other	70	81	(11)	279	260	19
Amortization	20	(1)	21	79	79	—
Total	912	355	557	3,228	3,152	76

For the three months ended December 30, 2012, depreciation expense included in cost of sales increased by $547 compared to the three months ended December 30, 2011 due to timing of a true-up of component calculations which reduced depreciation in the fourth quarter of 2011, as well as accelerated depreciation on returnable glass containers in conjunction with a decision to implement a proprietary bottle in 2013. Depreciation increased by $57 for the full year, primarily due to the accelerated depreciation.

For the three months and year ended December 30, 2012, other depreciation charges decreased by $11 as compared to the same period in 2011 as a result of the timing of vehicle disposals, while for the full year, other depreciation charges increased $19 due to asset additions.

Intangible assets include software, naming rights and website costs, which are recorded at historical cost less amortization. Amortization expenses increased by $21 for the three months ended December 30, 2012, compared with the three months ended December 30, 2011 as a result of timing of a true-up in the fourth quarter of 2011 which reduced amortization. These costs were consistent for the full year compared to 2011.

Finance Costs

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Interest on long-term debt	23	31	(8)	101	131	(30)
Interest on operating facility	1	1	—	(8)	10	(18)
Total finance costs	24	32	(8)	93	141	(48)
Weighted average effective interest rate	4.32%	4.30%		4.30%	4.26%	

The principal amount of long-term debt and bank indebtedness was $2,042 as at December 30, 2012 compared to $2,683 as at December 30, 2011. The interest rates applicable to all loans and borrowings are based on the lender's prime rate. Principal repayments on the long-term debt began in November 2010. The lower average borrowings reduced interest costs on that debt by $8 and $30, respectively, for the three months and year ended December 30, 2012, compared to the same periods in 2011.

The $18 decrease in interest on the operating facility for the year ended December 30, 2012 versus the prior year reflects the fact that the Corporation did not draw on the facility in 2012 as it had done in 2011.

Other

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Other income	85	111	(26)	351	452	(101)
Other expenses	47	49	(2)	147	164	(17)

Other income includes restaurant royalties, miscellaneous income (primarily from the sale of spent grains and rental of yard space), gains or losses on asset disposals and net revenue from tours, hospitality, and the dry goods store. The decrease for the three months ended December 30, 2012 is related primarily to lower miscellaneous income on rental of yard space. For the full year, other income is lower by $101 due mainly to decreased store sales.

Other expenses decreased $2 for the three months ended December 30, 2012, but decreased by $17 for the full year, due to lower sales of store merchandise.

Income Taxes

	Three months ended			Twelve months ended		
	Dec. 30 2012	Dec. 30 2011	Change	Dec. 30 2012	Dec. 30 2011	Change
Current income tax expense (recovery)	(40)	–	(40)	426	–	426
Deferred income tax expense	291	314	(23)	1,168	957	211

During the three months and year ended December 30, 2012, the Corporation recorded deferred income tax charges of $291 and $1,168, respectively, compared to deferred income tax charges of $314 and $957, respectively, for the three and twelve months ended December 30, 2011. Current income tax expense was reduced by $40 in the three months ended December 30, 2012 and totalled $426 for the full year (2011 - nil). The increase in current and deferred income taxes for the year ended December 30, 2012 as compared to 2011 is a result of higher net income.

The deferred income tax provision differs from the statutory rate of 25.10% (2011 – 26.64%) due to permanent timing differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for income tax purpose, as well as the effect of non-deductible amounts.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Statement of Finacial position from December 30, 2011 to December 30, 2012:

	Increase/ (Decrease)	Primary factors explaining change
Property, plant and equipment	(1,597)	Depreciation charge, net of asset additions
Intangible assets	(79)	Amortization charge
Inventories	(537)	Lower finished goods inventory in 2012 compared to build up for planned shut-down at 2011 year end
Accounts receivable	(430)	Lower sales volumes during the fourth quarter of 2012 compared to the fourth quarter of 2011
Prepaid expenses and other	147	Timing of insurance, property tax and other similar charges
Long-term debt	(641)	Regular repayments of term loan
Deferred income taxes	1,168	Higher net income
Accounts payable and accrued liabilities	741	Higher supplier payables relating to increased production and higher current taxes on higher net income

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

	Dec. 30 2012	Dec. 30 2011
Bank indebtedness (cash)	$ (4,281)	$ (655)
Total debt	2,042	2,683
Shareholders' equity:		
Shareholders' capital	100,109	99,954
Contributed surplus	701	517
Accumulated deficit	(68,739)	(68,022)
Total shareholders' equity	32,071	32,449
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 29,832	$ 34,477
Total debt to capitalization ratio	6.7%	7.8%

Capital Strategy

The Corporation includes as capital its common shares plus short-term and long-term debt, net of cash balances, and has no externally imposed capital requirements. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern, in order to support the Corporation's normal operating requirements and to maintain a flexible capital structure which optimizes the costs 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.

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting and working capital management, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets, which are approved by the Board of Directors. These budgets are updated as necessary depending on various factors, including capital deployment, results from operations, and general industry conditions.

In addition, the Corporation monitors its capital using ratios of (i) debt to total capitalization, (ii) working capital, and (iii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Debt to total capitalization is calculated as long-term debt, including current portion, plus bank indebtedness, divided by total capital. Working capital is calculated as current assets divided by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. Both working capital and EBITDA to long-term debt are used for compliance with debt covenants. See "Financing Activities" for a reconciliation of EBITDA to net income (loss), which is the most similar IFRS measure.

These capital policies, which remain unchanged from prior periods, provide Big Rock with access to capital at a reasonable cost.

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities, which are discussed later in this MD&A, and must be met at each reporting date. At December 30, 2012 and December 30, 2011, Big Rock was in compliance with all of its debt covenants.

Shareholders' Capital

	# of Shares	$ Amount
As at December 30, 2011	6,057,678	99,954
Issued on exercise of stock options	11,000	155
As at December 30, 2012	6,068,678	100,109

Big Rock is authorized to issue an unlimited number of common shares with no par value.

The Corporation's shares trade on the Toronto Stock Exchange under the symbol BR. As at March 19, 2013 there were 6,068,678 issued and outstanding shares and the closing price was $14.80 per share. Based upon 6,068,678 issued shares, the Corporation has an approximate market capitalization of $89.8 million.

Share Based Compensation Plan
The Corporation uses the fair value method of accounting for awards granted under its stock option plan. On March 20, 2012, the Corporation granted 58,500 (2011 – 58,000) stock options to officers, employees and directors at an exercise price of $13.45 with an expiry date of March 20, 2017. On August 3, 2012, 58,500 (2011 – 50,500) stock options were granted by the Corporation to officers, employees and directors at an exercise price of $13.56 with an expiry date of August 3, 2017. The weighted average fair value of each grant was estimated at the grant date using the Black-Scholes option pricing model.

The weighted average fair value estimates and related assumptions used for the calculation were:

	August 2012	March 2012	December 2011	August 2011	March 2011	August 2010
Weighted average fair value per option	1.59	1.97	1.44	1.03	1.95	1.15
Risk-free interest rate (%)	1.25	1.47	1.17	1.48	2.30	1.80
Expected life of the options (years)	4	4	4	4	4	4
Dividend rate (%)	5.96	5.71	6.43	6.73	4.80	7.10
Volatility in the price of the Corporation's shares (%)	28.1	28.5	28.5	23.4	23.5	22.0

For the three months ended December 30, 2012, $nil (2011 – $20) of share-based compensation was recognized in the statement of comprehensive income. For the year ended December 30, 2012, share-based compensation charges of $208 (2011 - $186) were recognized in the statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

The following is a summary of option transactions under the Corporation's stock option plan:

	2012		2011	
	# of Options	**Weighted Average Exercise Price**	# of Options	Weighted Average Exercise Price
Balance, beginning of year	354,000	$ 15.50	262,000	$ 15.84
Expired	(137,000)	$ 15.62	(30,500)	$ 16.62
Exercised	(11,000)	$ 11.88	—	—
Issued	117,000	$ 13.51	122,500	$ 14.18
Balance, end of year	323,000	$ 14.85	354,000	$ 15.50

The following table summarizes information about stock options outstanding and exercisable at December 30, 2012:

Exercise Price	# of Options Outstanding at December 30, 2012	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	# of Options Exercisable at December 30, 2012
$11.88 to $13.45	112,000	3.96	$ 12.78	112,000
$13.56 to $16.60	109,000	3.96	$ 14.97	109,000
$17.00	102,000	2.65	$ 17.00	102,000
Balance, December 30	323,000	3.55	$ 14.85	323,000

On April 1, 2006 the Corporation introduced a share appreciation rights ("SAR") plan to be used as a basis for incentive compensation to employees. Under the plan, employees who held incentive stock options previously issued in June 2005 with an exercise price of $19.07 (the "old" options) could exchange each old option for a new SAR. These SARs vested after a three year period beginning April 1, 2006 and were exercisable for three years thereafter at a price of $17.00 per share (to be settled in cash). These SARs have completely expired as of December 30, 2012.

In March 2012, the Corporation introduced a new SAR plan. These SARs vest immediately and are exercisable for five years thereafter. The SARs granted in March 2012 have an exercise price of $12.51 (to be settled in cash). In August 2012, the Corporation granted SARs with an exercise price of $13.56.

At the end of each reporting period, the fair value of the SARs, as determined by the Black Scholes model, is recorded as a liability on the consolidated statement of financial position and recorded as compensation expense.

As at December 30, 2012, 106,600 SARs were outstanding (December 30, 2011 – 227,000). During the year ended December 30, 2012, 106,600 SARs were issued (2011 – nil), no SARs were exercised (2011 – nil) and 227,000 SARs expired (2011 – 220,250). As at December 30, 2012, the fair value of the SARs was calculated and resulted in a liability of $238 being recorded in compensation expense (December 30, 2011 - $nil).

Cash Flows

Operating Activities
Cash provided by operating activities for the three months ended December 30, 2012 totalled $2,012 (2011 - $191), an increase of $1,821 compared to the same period last year. For the year ended December 30, 2012 cash provided by operating activities totalled $10,454 (2011 - $6,201), an increase of $4,253 compared to the same period in 2011. The improved operating cash flows were the result of higher net income as well as lower non-cash working capital with lower accounts receivable and inventory but higher accounts payable.

Investing Activities
For the three months and year ended December 30, 2012, capital spending, net of dispositions, was $161 and $1,487, respectively, compared to a net disposition of $277 and net additions of $1,397, respectively, for the three months and year ended December 30, 2011.

Capital spending, net of dispositions, for the year ended December 30, 2012 included $477 (2011 – $133) for new kegs, $226 (2011 – $537) for brewing and packaging equipment, $467 (2011 – $497) for glass containers, $135 (2011 – $164) for the purchase of new mobile equipment, $53 (2011 – $9) for the purchase of office furniture and equipment and $110 (2011 – $57) relating to building improvement.

For the year ended December 30, 2012, no additions were made to Intangible assets (2011 - nil).

Financing Activities

Cash used in financing activities for the twelve months ended December 30, 2012 totalled $5,360 (2011 - $4,940), an increase of $420 compared with the year ended December 30, 2011. The increase is a result of having one month of 2010 distributions paid in the first quarter of 2011 versus one full quarter of dividends in the first quarter of 2012 partially offset by impact of the option exercise in the second quarter of 2012.

On April 30, 2010, Big Rock renewed its $5.0 million demand operating facility with the Corporation's financial institution for a term of three years. The facility is secured through a general assignment of Big Rock's assets and bears interest at prime plus one per cent. The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. Other than the term, all conditions imposed on the facility remained unchanged on renewal.

The balance drawn against the facility fluctuates depending on working capital requirements. At December 30, 2012, there was no balance owing on this facility (2011 - nil).

On October 28, 2010, the Corporation renewed the term financing for a period of five years. The loan is repayable in blended instalments of approximately $65.5 per month, including interest at the financial institution's prime rate plus 1.25 per cent.

The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios including, (i) working capital, and (ii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Working capital is calculated by dividing current assets by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA.

The calculation of EBITDA is a non-GAAP measure, whose nearest GAAP measure is net income with the reconciliation between the two as follows:

	Dec. 30 2012	Dec. 30 2011
EBITDA	$ 9,050	$ 6,783
Deduct: Depreciation & Amortization	3,228	3,152
Earnings before interest and taxes	5,822	3,631
Deduct: Interest	93	141
Deduct: Income tax charge	1,594	957
Net income	$ 4,135	$ 2,533

At December 30, 2012 and December 30, 2011, Big Rock was in compliance with all of its debt covenants.

Subsequent to the year end, on February 14, 2013, the Corporation signed a commitment letter to restructure the existing facility into a $12 million revolving operating loan facility which is available to payout previous borrowings as well as for general operating purposes and funding capital expenditure requirements. The facility is available by way of prime-based loans, guaranteed notes and letters of credit to a maximum of $2 million. For prime-based loans, interest will be payable at the financial institution's prime plus 1.0 percent; for guaranteed notes, the acceptance fee is payable at 2.75 percent; and for letters of credit, the fee is payable at 2 percent with a minimum fee of $100. The operating loan matures after a term of 3 years and any undrawn amounts under the facility will expire on May 31, 2016, if no extension has been granted.

Cash Dividends
Each quarter the Board of Directors sets the cash dividend per share, considering the Corporation's requirements for capital expenditures, debt servicing, and current operating results compared to budget as well as projected net incomes.

The amount of dividends declared depends upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins during seasons when sales volumes and income are traditionally low, debt repayments, capital expenditures and the actual cash amounts available for distribution by the Corporation.

The following cash dividends have been announced by the Corporation to date in 2012:

	2012			2011		
	Record Date	**Distribution Date**	**Per Unit**	Record Date	Distribution Date	Per Unit
March	30-Mar-12	16-Apr-12	$0.20	31-Mar-11	15-Apr-11	$0.20
June	29-Jun-12	16-Jul-12	$0.20	30-Jun-11	15-Jul-11	$0.20
September	28-Sep-12	15-Oct-12	$0.20	30-Sep-11	17-Oct-11	$0.20
December	31-Dec-12	15-Jan-13	$0.20	31-Dec-11	15-Jan-12	$0.20
Total			$0.80			$0.80

Dividends for the three months and year ended December 30, 2012 totalled $1,214 ($0.20 per share) and $4,852 ($0.80 per share) respectively, compared to $1,212 ($0.20 per share) and $4,846 ($0.80 per unit, respectively, for the three months and year ended December 30, 2011. Dividends declared to shareholders may exceed net income generated during the period. Net income may not be an accurate indicator of the Corporation's liquidity, as it may be comprised of significant charges not involving cash including future income tax, changes to non-cash working capital and amortization related expenses.

Big Rock's intention is to continue to reward its investors with dividends consistent with the performance of the brewery. In determining actual dividend levels, the Board will consider the financial performance, capital plans, growth opportunities, expectations of future economic conditions and other factors. Since the level of dividends is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future dividends cannot be assured. Dividend amounts are subject to the risk factors described herein and in the Corporation's public disclosure documents including its current Annual Information Form.

Cash dividends are not guaranteed and will fluctuate with performance of the business.

CRITICAL ACCOUNTING ESTIMATES

Returnable Glass Containers
Returnable glass containers are initially recorded at cost. In order to account for wear and shrinkage, the cost of bottles is charged to operations over the estimated useful life of five years. The Corporation has purchased $3,367 (2011 - $2,900) of returnable glass containers since converting to the Industry Standard Bottle in early 2002. The net book value of returnable glass containers as at December 30, 2012 is $670 (2011 - $762).

Management revised its estimate of the useful lives of certain assets, including all returnable glass containers, in conjunction with a decision to implement a proprietary bottle in 2013. As a result of this change in estimate an additional $106 in depreciation was charged to cost of sales for the 3 months and year ended December 30, 2012.

Stock-based Compensation
The Corporation recognizes compensation expense on options with no cash settlement feature at time of grant as well as on changes in the fair value of any outstanding SARs at each reporting date. Stock based compensation expense recognized during the three months and year ended December 30, 2012 was $56 (2011 - $20) and $446 (2011 - $186), respectively, as discussed earlier in this MD&A.

Property, Plant and Equipment
Accounting for PP&E involves making estimates of the life of the assets, the selection of an appropriate method of depreciation and determining whether an impairment of the assets exists. These assessments are critical due to their potential impact on income.

At each date of the statement of financial position, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Keg Deposits
The Corporation requires that customers pay a deposit for each keg purchased, which is subsequently refunded to customers via invoice credits or cash payments when kegs are returned and these deposits are reflected as a liability on the Corporation's consolidated statement of financial position. In the normal course of business there are a percentage of kegs that are never returned for refund. As a result the Corporation performs an analysis based on factors such as total kegs produced, current inventory rates and average keg turnover. In addition, return percentages are calculated and tracked to estimate an average keg turnover rate. Together this information is used to estimate a reasonable keg deposit liability at each reporting date. Any adjustments required to the keg liability account are applied to revenue.

RISKS RELATED TO THE BUSINESS AND INDUSTRY

Big Rock operates in an environment that is both highly competitive and highly government regulated. Due to the ongoing shifting effects of competition, the ability to predict future sales and profitability with any degree of certainty is limited. It is also difficult to anticipate changes in government regulation and legislation and the impact such changes might have on the Corporation's operations.

There is a continuing entry of premium and super premium beers from other craft breweries and the larger national and multi-national brewers with products that compete directly with craft beers. A large number of imports are also being sold in the same markets where Big Rock competes for business.

With the large choice of brands now available, and the advertising initiatives of the major breweries, it is likely that price promotions due to competitive pressures will continue. Big Rock believes it is in an excellent position to increase sales volumes; however, the selling price may vary more frequently due to these increasing competitive pricing pressures.

Big Rock requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. In Alberta, Big Rock's largest market, the Alberta Gaming and Liquor Commission 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.

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 Alberta government has recently undertaken a review of its mark-up rates, but no changes to existing regulations have yet been formally announced. As Alberta is Big Rock's predominant market, any changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

Financial Risk

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. Other financial assets and liabilities arising directly from its operations and corporate activities include cash, accounts receivable, bank indebtedness, accounts payable, long term debt and distributions payable. The primary risks arising from the Corporation's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, each of which are discussed below.

Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk and Management

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 as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. While substantially all of Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period. The majority of product sold outside of Canada, which is included in GST and other receivables, is done so on a 'Cash on Delivery' basis with no credit risk.

Credit risk associated with the potential non-performance by financial instrument counterparties has been minimized through the careful selection of vendors, the development of long term vendor relationships and the selective use of written arrangements to guarantee supply and payment terms.

Liquidity Risk and Management

Big Rock's principal 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.

Commodity Price Risk and Management

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, which set minimum price thresholds. Although prices are otherwise 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 cider 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.

Interest Rate Risk and Management
Big Rock is exposed to interest rate risk on the variable rate of interest incurred on the amounts due under operating and credit facilities 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.

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors interest rate exposure and given the relatively low expected rate of change in prime interest rates feels the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation.

The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation's long-term debt does not change as interest rates change.

The weighted average interest rate incurred by the Corporation in the three months and year ended December 30, 2012 was 4.32% (2011 – 4.30%) and 4.30% (2011 – 4.26%), respectively.

Foreign Exchange Risk and Management
The Corporation currently transacts with 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.

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition please refer to the Risk Factors section of the Corporation's Annual Information Form dated March 19, 2013 that is available on **www.sedar.com**.

RELATED PARTY TRANSACTIONS

Related party transactions are included in selling expenses and relate to the engagement of a consultant, related to the Chairman of the Board, to coordinate work on special projects undertaken by the Corporation in the normal course of business. The expense recognized for the year ended December 30, 2012 was $36 (2011 - $173). As at December 30, 2012 no amount was owing to the consultant (2011 – $10). The consultant is no longer providing services to the Corporation.

In January 2012, a company controlled by the Chairman of Big Rock commenced providing temporary general labour services to the Corporation in the normal course of business. The value of the transactions for the year ended December 30, 2012 was $10 (2011 - $nil). As at December 30, 2012 no amounts were owing to the related party.

All amounts have been recorded at the exchange amount.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

As at December 30, 2012, the Corporation was a party to the following contracts:

- Effective July 1, 2011, the Corporation locked in an agreement with a natural gas retailer to provide natural gas at a fixed price of $4.83 per gigajoule for a period of two and one-half years, ending on December 31, 2013.
- In the fourth quarter of 2012, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $62, of which $31 was payable at December 30. These materials, which will be used in the normal course of business, are expected to be received during the first quarter of 2013

- Big Rock has a contract for the supply of malt barley through September 2013 at a fixed price of $575 per metric tonne. The barley will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

- Big Rock has signed a contract for the supply of specialty malt through 2013 at a fixed price of $1,395 per metric tonne. The malt will be used in the brewery's normal course of business, and delivered, as needed over the calendar year 2013, in quantities to ensure production targets are met.

- In August 2010, the Corporation entered into an agreement with an electricity retailer to provide electricity for a period of five years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

- In December 2012, the Corporation renewed an operating lease for premises in Edmonton in the amount of $2 per month for a period of one year.

The Corporation has received various government grants, which have certain terms and conditions, as disclosed in note 1 of the financial statements. A violation of these terms and conditions may result in Big Rock having to repay an amount, up to and including the total funds received under the grant. For the years ended December 30, 2012 and 2011, no such violations have occurred; consequently no provision for repayment has been included in the financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS Policies
The Corporation's consolidated financial statements as at and for the years ended December 30, 2012 and 2011 have been prepared using the IFRS standards and interpretations currently issued. Accounting policies currently adopted under IFRS are subject to change as a result of new standards being issued with an effective date of December 31, 2012 or prior. A change in an accounting policy used may result in material changes to Big Rock's reported financial position, results of operations and cash flows.

Future Accounting Changes
The IASB has issued the following pronouncements:

- IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement.

- IFRS 10 Consolidated Financial Statements which replaces portions of IAS 27 Consolidated and Separate Financial Statements and Interpretation SIC 12 Consolidation – Special Purpose Entities. In addition, IASB has re-issued IAS 27 Separate Financial Statements as a result of IFRS 10 noted above. IAS 27 will only apply when an entity prepares separate financial statements for its interests in subsidiaries, joint ventures and associates.

- IFRS 12 Disclosure of Interests in Other Entities which includes disclosure requirement about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

- IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements, which fair value is required or permitted under IFRS.

The above pronouncements shall be applied to annual periods beginning on or after January 1, 2013 with early adoption permitted.

Big Rock has not early adopted these standards, amendments and interpretations; and management does not expect the adoption to have a material effect on Big Rock's Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management under the supervision of, and with the participation of, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under National Instrument 52 – 109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that, subject to the inherent limitations noted above, the Corporation's disclosure controls and procedures are effective as of December 30, 2012.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's management under the supervision of, and with the participation of, the CEO and CFO, has designed and implemented internal controls over financial reporting ("ICFR"), as defined under NI 52-109. The Corporation's management used the COSO Internal Control over Financial Reporting - Guidelines for Smaller Public Companies (2006) as its framework.

The process used involved four steps as follows: establishment of a foundation, which involved assessing the tone at the top, the organization structure and baseline of current internal controls; design and execution, which involved prioritizing risk, identifying controls and evaluation of control effectiveness; assess and report, which involved summarizing and reporting on the findings; and conclusion on controls supported by documented evidence.

The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with GAAP, focusing in particular on controls over information contained in the annual and interim financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Corporation's controls over financial reporting during the fourth quarter ended December 30, 2012, that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Based upon their evaluation of these controls as of December 30, 2012, the CEO and CFO have concluded that the Corporation's ICFR were effective as at that date. In addition, there were no material changes to Big Rock's internal controls over financial reporting since the most recent interim period.

OUTLOOK

Driven by the innovation program, consumer demand for Big Rock's premium craft brands remained strong, but declines in brands which had been subject to volume-inducing limited price offers in previous years drove overall volumes lower in the fourth quarter than for the same period in 2011. Competition continues to intensify at the value-priced end of the beer spectrum, but is also increasing for premium craft beer, particularly in Alberta, which, unlike most other Canadian jurisdictions, has relatively few barriers to entry for out-of-province producers.

In response to consumer-driven demand, management will continue to invest in targeted marketing opportunities to create brand awareness and to emphasize the innovation program, which will provide additional great beers to the Big Rock portfolio. At the same time, management has turned its focus on increased return on sales rather than simply on volume growth. Through reductions in the extent of promotional pricing activities and other initiatives, volumes are expected to decline but profits should increase.
In addition, management will continue to monitor and adjust the selling prices of its products, and will continue to

actively manage operating costs, assess regional profitability and focus on operating efficiencies, all of which are intended to maximize profit margins and deliver stable returns to our shareholders.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Corporation. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. All statements, other than statements of historical fact included in the MD&A, may be forward-looking information. Forward-looking information are not facts, but only predictions and generally can be identified by the use of statements that include words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are not guarantees of our future performance and are subject to known and unknown risks, uncertainties and other factors that may cause Big Rock's actual results or events to differ materially from those anticipated in such forward-looking statements.

Big Rock believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular this MD&A contains forward-looking statements pertaining to the following:

- expected volumes;
- projections of market prices and costs;
- treatment under governmental regulatory and taxation regimes; and
- supply and demand of Big Rock's products.

With respect to forward-looking statements listed above and contained in this MD&A, Big Rock has made assumptions regarding, among other things, the following:

- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates; and
- there will be no supply issues with Big Rock's vendors.

Big Rock's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Corporation's 2012 Annual Information Form (as filed on SEDAR on March 19, 2013). Readers are cautioned that the foregoing lists of factors are not exhaustive.

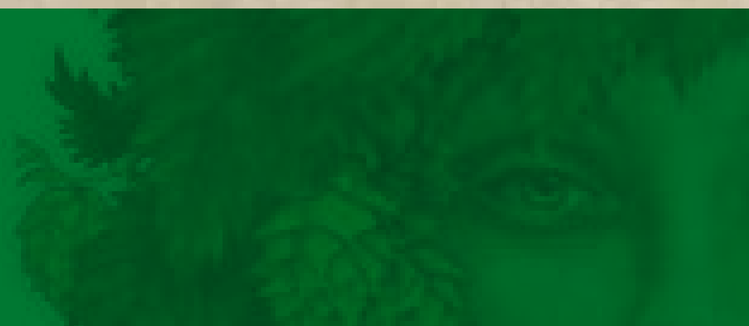
The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Big Rock does not undertake any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by law.

ADDITIONAL INFORMATION

Additional information on the Corporation, including the Annual Information Form for the year ended December 30, 2012, can be found on SEDAR at **www.sedar.com**

Information about Big Rock can also be found on Big Rock's corporate website at **www.bigrockbeer.com**

FINANCIAL STATEMENTS



Management's Responsibility for Financial Reporting

March 19, 2013

The accompanying consolidated financial statements of Big Rock Brewery Inc. 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, the Corporation 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, which is composed entirely of independent directors. The Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to review the 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 Ernst & Young 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.

Robert Sartor
President and Chief Executive Officer

Barbara Feit
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Big Rock Brewery Inc.

We have audited the accompanying consolidated financial statements of Big Rock Brewery Inc., which comprise the consolidated statements of financial position as at December 30, 2012 and 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Big Rock Brewery Inc. as at December 30, 2012 and 2011, and its financial performance and its cash flows for the years ended December 30, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Calgary, Canada
March 19, 2013

Ernst + Young LLP

Ernst & Young LLP
Chartered Accountants

Big Rock Brewery Inc.

Consolidated Statements of Comprehensive Income

in thousands of Canadian dollars, except per share amounts	Year ended December 30, 2012	Year ended December 30, 2011
Net revenue (Note 3.2)	$ 46,057	$ 45,183
Cost of sales (Note 4)	21,149	21,385
Gross profit	24,908	23,798
Expenses		
Selling expenses (Notes 5 and 22)	13,987	15,835
General and administrative (Notes 6 and 23)	4,945	4,281
Depreciation and amortization	358	339
Operating expenses	19,290	20,455
Operating profit	5,618	3,343
Finance costs (Note 7)	93	141
Other income	(351)	(452)
Other expenses	147	164
Income before income taxes	5,729	3,490
Income tax expense (Note 8)	1,594	957
Net income and comprehensive income for the period	$ 4,135	$ 2,533
Net income per share (note 9)		
Basic and diluted	$ 0.68	$ 0.42

See accompanying notes to the consolidated financial statements

Big Rock Brewery Inc.

Consolidated Statements of Financial Position

in thousands of Canadian dollars	December 30, 2012	December 30, 2011
ASSETS		
Non-current assets		
Property, plant and equipment (Note 10)	$ 35,277	$ 36,874
Intangible assets (Note 11)	128	207
	35,405	37,081
Current		
Inventories (Note 12)	3,892	4,429
Accounts receivable (Notes 13 and 21)	2,358	2,788
Prepaid expenses and other (Note 14)	364	217
Cash	4,281	655
	10,895	8,089
Total assets	$ 46,300	$ 45,170
LIABILITIES AND SHAREHOLDERS' EQUITY		
EQUITY		
Shareholders' capital (Note 15)	$ 100,109	$ 99,954
Contributed surplus (Notes 15 and 16)	701	517
Accumulated deficit	(68,739)	(68,022)
	32,071	32,449
LIABILITIES		
Non-current		
Long term debt (Notes 17 and 21)	1,342	1,983
Share based payments (Note 16)	238	—
Deferred income taxes (Note 8)	6,331	5,163
	7,911	7,146
Current		
Accounts payable and accrued liabilities (Notes 18 and 21)	3,978	3,663
Dividends payable (Notes 19 and 21)	1,214	1,212
Current portion of long-term debt (Notes 17 and 21)	700	700
Current taxes payable (Note 8)	426	—
	6,318	5,575
Commitments (Note 25)		
Total liabilities and shareholders' equity	$ 46,300	$ 45,170

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Edward E. McNally
Director

Michael G. Kohut
Director

Big Rock Brewery Inc.

Consolidated Statements of Cash Flows

in thousands of Canadian dollars	Year ended December 30, 2012	Year ended December 30, 2011
OPERATING ACTIVITIES		
Net income for the period	$ 4,135	$ 2,533
Items not affecting cash:		
Depreciation and amortization	3,228	3,151
Gain on sale of assets	(19)	(16)
Stock based compensation	446	186
Deferred income tax expense	1,168	957
Funds flow from operations	8,958	6,811
Net change in non-cash working capital related to operations (Note 24)	1,496	(610)
Cash provided by operating activities	10,454	6,201
FINANCING ACTIVITIES		
Dividend payments	(4,850)	(4,240)
Principal repayments of long-term debt	(641)	(700)
Cash received on exercise of options	131	—
Cash used in financing activities	(5,360)	(4,940)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,487)	(1,397)
Proceeds from sale of equipment	19	22
Cash used in investing activities	(1,468)	(1,375)
Net increase (decrease) in cash	3,626	(114)
Cash, beginning of period	655	769
Cash, end of period	$ 4,281	$ 655
Supplemental cash-flow information		
Cash Interest paid	$ 103	$ 137
Cash taxes paid	$ —	$ —

See accompanying notes to the consolidated financial statements

Big Rock Brewery Inc.

Consolidated Statements of Changes in Shareholders' Equity

in thousands of Canadian dollars	Shareholders' Capital	Contributed Surplus	Accumulated Deficit	Total
Balance as at December 31, 2010	$ 99,954	$ –	$ (65,709)	$ 34,245
Stock options issued on Corporate conversion	–	331	–	331
Share based payments	–	186	–	186
Total comprehensive income for the year ended December 30, 2011	–	–	2,533	2,533
Dividends declared for year ended December 30, 2011 (Note 19)	–	–	(4,846)	(4,846)
Balance as at December 30, 2011	99,954	517	(68,022)	32,449
Stock options exercised	155	(24)	–	131
Share-based payments	–	208	–	208
Total comprehensive income for the year ended December 30, 2012	–	–	4,135	4,135
Dividends declared for the year ended December 30, 2012 (Note 19)	–	–	(4,852)	(4,852)
Balance as at December 30, 2012	$ 100,109	$ 701	$ (68,739)	$ 32,071

See accompanying notes to the consolidated financial statements

(in thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

Big Rock Brewery Inc. ("Big Rock" or the "Corporation") is a publicly listed corporation incorporated in Canada with limited liability under the legislation of the Province of Alberta. 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 and cider which are sold in nine provinces and three territories in Canada, as well as exported to Korea. The head office, principal address and records office of the Corporation are located at 5555 – 76th Avenue SE, Calgary, Alberta, T2C 4L8.

These Financial Statements include the accounts of Big Rock Brewery Inc. and all its wholly owned subsidiaries. Subsidiaries are those enterprises controlled by the Corporation. The following entities have been consolidated with the Big Rock financial statements:

	Registered	Holding	Functional Currency
Subsidiary			
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 arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance
These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of Presentation
These 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.

The Financial Statements have been prepared on the historical cost basis.

The Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated.

2.3 Future Accounting Pronouncements
The IASB has issued the following pronouncements:

- IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition* and *Measurement*.

- IFRS 10 *Consolidated Financial Statements* which replaces portions of IAS 27 *Consolidated and Separate Financial Statements* and Interpretation SIC 12 *Consolidation – Special Purpose Entities*. In addition, IASB has re-issued IAS 27 *Separate Financial Statements* as a result of IFRS 10 noted above. IAS 27 will only apply when an entity prepares separate financial statements for its interests in subsidiaries, joint ventures and associates.

- IFRS 12 *Disclosure of Interests in Other Entities* which includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

- IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements, which fair value is required or permitted under IFRS.

The above pronouncements shall be applied to annual periods beginning on or after January 1, 2013 with early adoption permitted.

Big Rock has not early adopted these standards, amendments and interpretations; and management does not expect the adoption to have a material effect on Big Rock's Financial Statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the 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 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 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 Canada Revenue Agency ("CRA") who makes the final determination of the actual amounts of taxes payable or receivable. This could have an impact on the current and future 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.

(in thousands of Canadian dollars, unless otherwise stated)

Assumptions and Critical Estimates

Keg deposit liability

In determining the liability for return of keg deposits, Big Rock estimates that a portion of circulating kegs will never be returned for refund. Big Rock estimates that approximately 96.7% of kegs are returned for refund in each turn of inventory. Management recognises a liability for one turn plus an additional amount, estimated as 10% of one turn, for very old kegs.

Sensitivity analysis

An increase in the quantity of old kegs returned of 10% of one turn would result in an additional liability and charge to net income of $17.

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 income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the consolidated statement of financial position.

Sensitivity analysis

A 10% decrease in useful lives of Big Rock's property, plant and equipment would result in an additional charge to net income of $302.

3.2 Revenue Recognition

Big Rock recognizes net sales revenue on product sales at the time the product is shipped and when the following conditions exist: title has passed to the purchaser according to the shipping terms, the price is fixed and reasonably determinable, and collection of the sales proceeds is reasonably assured.

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Gross Product Revenue	$ 58,750	$ 58,414
Excise Taxes	(5,416)	(5,904)
Alberta Gaming and Liquor Commission ("AGLC") Commissions	(7,277)	(7,327)
Net Revenue	$ 46,057	$ 45,183

Revenue for Alberta represents gross sales to the provincial liquor control board less excise taxes and commissions arriving at the net proceeds to Big Rock. Revenue for other provincial jurisdictions represents net sales to the liquor control boards, after excise taxes and commissions. Excise taxes are assessed on beer production at tiered rates up to $31.22 per hectolitre, and provincial liquor control board commissions cover distributions and other service charges.

Product which has passed its expiration date for freshness, or has been damaged, and is returned by distributors is accepted and destroyed.

(in thousands of Canadian dollars, unless otherwise stated)

3.3 Government Assistance
Big Rock receives government grants under the Government of Alberta's Department of Agriculture "Growing Forward" program. Grants in respect of operating expenses are credited to earnings in the period they are received. Grants in respect of PP&E are recorded as a reduction to the cost of the asset. The grants contain certain terms and conditions, including a requirement that the projects are completed within the timeframes outlined in each application and that regular status updates are provided to the Department of Agriculture. In addition, the terms and conditions preclude the general partner from becoming insolvent, being wound-up, liquidated, or amalgamated. A violation of these terms and conditions may result in an obligation to repay some or all of the amounts received.

During the year ended December 30, 2012 Big Rock received government assistance relating to operating expenses in the amount of $32 (2011 - $76).

3.4 Accounts Receivable
Substantially all of Big Rock's accounts receivable are from provincial government liquor authorities which issue weekly or monthly remittances on account. Given that terms are set and receivables over 60 days generally average between three and five percent of total amounts owing, the Corporation has a policy of reviewing, reconciling and, if necessary, writing off balances older than one year.

3.5 Inventories
Big Rock categorizes inventories as 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 (consigned to provincial warehouses for sale) and resale goods (to be sold in the ordinary course of business in the dry-goods store).

Inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost method.

3.6 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 bringing 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
Mobile equipment	6 - 10 years
Office furniture and equipment	5 - 15 years
Leasehold improvements	10 - 40 years
Returnable containers	5 - 10 years

Depreciation of these assets commences when the assets are ready for their intended use.

Management revised its estimate of the useful life of certain machinery and equipment and returnable containers in conjunction with a decision to implement a proprietary bottle in 2013. As a result of this change in estimate an additional $106 in depreciation was charged to cost of sales for the year ended December 30, 2012.

An item of PP&E is derecognized upon disposal, when held for sale 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 statement of comprehensive income.

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.

3.7 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 their estimated residual values, using the straight line method over the following expected useful lives:

Computer software	3 years
Intellectual property	10 years
Website	6 years

Amortization of these assets commences when the assets are ready for their intended use.

An intangible asset is derecognized upon disposal, when held for sale 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 statement of comprehensive income.

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.

3.8 Share-based Payments

Share-based payment transactions

Employees (including directors and senior executives) of the Corporation receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Equity settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, 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 vesting date"). The cumulative expense reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

3.9 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

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 statement of financial position..

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement 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.

The carrying amount of deferred income tax assets is reviewed at each date of the statement 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 each date of the statement 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 statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

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.

3.10 Keg Deposits

Big Rock requires that customers pay deposits for kegs purchased which are reflected as a liability on the Corporation's consolidated statement of financial position. The deposits are subsequently refunded to customers via invoice credits or cash payments when kegs are returned. In the normal course of business, there are a percentage of kegs which are never returned for refund. As a result, Big Rock performs an analysis based on factors such as total kegs produced, current inventory rates and average keg turnover. In addition, return percentages are calculated and tracked to estimate an average keg turnover rate. Together, this information is used to estimate a keg deposit liability at each reporting date. Any adjustments required to the keg liability account are recorded through revenue.

3.11 Earnings Per Share

The basic earnings per share are computed by dividing the net income by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options that are used to purchase common shares at the average market price during the period.

3.12 Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary. At December 30, 2012, the Corporation has not classified any financial assets as FVTPL, available-for-sale or held-to-maturity.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3.13 Financial Liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income.

3.14 Impairment of Non-financial Assets
At each date of the statement of financial position, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3.15 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 interest expense.

3.16 Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

(in thousands of Canadian dollars, unless otherwise stated)

4. COST OF SALES

The cost of sales of the Corporation is broken down into its cash and non-cash components as follows:

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Operating expenses	$ 18,279	$ 18,572
Depreciation and amortization	2,870	2,813
Cost of sales	$ 21,149	$ 21,385

5. SELLING EXPENSES

The selling expenses for the Corporation are broken down as follows:

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Delivery and distribution costs	$ 3,870	$ 4,378
Salaries and benefits	3,640	3,808
Marketing	1,078	1,081
Regional sales	4,636	5,635
Community sponsorship and other	763	933
Selling expenses	$ 13,987	$ 15,835

6. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the Corporation are broken down as follows:

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Salaries and benefits (1)	$ 2,844	$ 2,134
Professional fees	706	675
Reporting and filing fees	82	159
Insurance	211	171
Building maintenance and taxes	572	596
Bank charges	71	55
Office, administrative and other	459	491
General and administrative expenses	$ 4,945	$ 4,281

(1) Salaries and benefits included stock-based compensation (a non-cash charge) of $446 (2011 – $186).

(in thousands of Canadian dollars, unless otherwise stated)

7. FINANCE COSTS

The finance costs for the Corporation are broken down as follows:

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Interest on long-term debt	$ 101	$ 130
Interest on operating facility	(8)	11
Finance costs	$ 93	$ 141

8. INCOME TAXES

Income tax expense is comprised of the following:

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Current tax expense	$ 426	$ —
Deferred tax expense	1,168	957
Income tax expense	$ 1,594	$ 957

The following table reconciles the theoretical income tax expense using a weighted average Canadian federal and provincial rate of 25.10% (2011 - 26.64%) to the reported tax expense. The rate reduction is due to the Canadian federal rate change from 16.5% in 2011 to 15% in 2012. 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 financial statements, in accordance with IFRS.

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Income before income taxes	$ 5,729	$ 3,490
Income tax expense at statutory rate of 25.10% (2011 – 26.64%)	1,438	930
Effect on taxes of:		
Stock-based compensation expenses	112	50
Non-deductible expenses	20	30
True-up of opening timing differences	22	1
Impact of rate change on temporary differences	5	(60)
Other	(3)	6
Income tax expense	$ 1,594	$ 957

(in thousands of Canadian dollars, unless otherwise stated)

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:

	Property plant and equipment	Share issue costs	Deferral of partnership income	Non capital losses	Other	Total
As at December 30, 2011	$ 4,725	$ (48)	$ 649	$ (148)	$ (15)	$ 5,163
Charged/(credited) to the consolidated statement of comprehensive income	(85)	14	1,098	148	(7)	1,168
As at December 30, 2012	$ 4,640	$ (34)	$ 1,747	$ —	$ (22)	$ 6,331

9. INCOME PER SHARE

The calculation of income per share for the relevant periods is based on the following data:

	Year ended	
Basic	Dec. 30 2012	Dec. 30 2011
Net income	$ 4,135	$ 2,533
Shares outstanding, beginning of the period	6,057,678	6,057,678
Weighted average # of shares issued during the period	5,940	—
Basic # shares outstanding during the period	6,063,618	6,057,678
Basic income per share	$ 0.68	$ 0.42

	Year ended	
Diluted	Dec. 30 2012	Dec. 30 2011
Net income	$ 4,135	$ 2,533
Basic # shares outstanding during the period	6,063,618	6,057,678
Weighted average # of shares issuable on dilutive options, during the period	7,739	9,937
Diluted # shares outstanding during the period	6,071,357	6,067,615
Diluted income per share	$ 0.68	$ 0.42

(in thousands of Canadian dollars, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

The Property, plant and equipment for the Corporation is broken down as follows:

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable Containers	Total
Cost								
As at December 31, 2010	$ 8,365	$ 10,903	$ 20,039	$ 559	$ 348	$ 212	$ 1,298	$ 41,724
Year ended December 30, 2011								
Additions	–	57	536	164	9	–	631	1,397
Disposals	–	–	(1)	(99)	–	–	–	(100)
As at December 30, 2011	8,365	10,960	20,574	624	357	212	1,929	43,021
Year ended December 30, 2012								
Additions	–	110	226	154	53	–	944	1,487
Disposals	–	–	–	(133)	–	–	–	(133)
As at December 30, 2012	$ 8,365	$ 11,070	$ 20,800	$ 645	$ 410	$ 212	$ 2,873	$ 44,375

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable Containers	Total
Accumulated depreciation								
As at December 31, 2010	$ –	$ 275	$ 2,408	$ 37	$ 41	$ 15	$ 353	$ 3,129
Year ended December 30, 2011								
Charge for the period	–	275	2,189	160	48	15	425	3,112
Eliminated on disposals	–	–	–	(94)	–	–	–	(94)
As at December 30, 2011	–	550	4,597	103	89	30	778	6,147
Year ended December 30, 2012								
Charge for the period	–	277	1,883	179	51	16	678	3,084
Eliminated on disposals	–	–	–	(133)	–	–	–	(133)
As at December 30, 2012	$ –	$ 827	$ 6,480	$ 149	$ 140	$ 46	$ 1,456	$ 9,098

	Land	Buildings	Machinery and equipment	Mobile equipment	Office furniture and equipment	Leasehold improvements	Returnable Containers	Total
Net book value								
As at December 30, 2011	$ 8,365	$ 10,410	$ 15,977	$ 521	$ 268	$ 182	$ 1,151	$ 36,874
As at December 30, 2012	$ 8,365	$ 10,243	$ 14,320	$ 496	$ 270	$ 166	$ 1,417	$ 35,277

For the years ended December 30, 2012 and 2011, there were no indicators of impairment in the carrying value of the Corporation's PP&E. Accordingly no provisions have been recorded in these Financial Statements.

(in thousands of Canadian dollars, unless otherwise stated)

11. INTANGIBLE ASSETS

The Corporation's intangible assets are broken down as follows:

	Computer software	Intellectual property	Website costs	Total
Cost				
As at December 31, 2010	$ 171	$ 170	$ 22	$ 363
Additions in the year ended December 30, 2011	—	—	—	—
As at December 30, 2011	171	170	22	363
Additions in the year ended December 30, 2012	—	—	—	—
As at December 30, 2012	$ 171	$ 170	$ 22	$ 363

	Computer software	Intellectual property	Website costs	Total
Accumulated amortization				
As at December 31, 2010	$ 55	$ 19	$ 3	$ 77
Charge for the year ended December 30, 2011	57	19	3	79
As at December 30, 2011	$ 112	$ 38	$ 6	$ 156
Charge for the year ended December 30, 2012	57	19	3	79
As at December 30, 2012	$ 169	$ 57	$ 9	$ 235

	Computer software	Intellectual property	Website costs	Total
Net book value				
As at December 30, 2011	$ 59	$ 132	$ 16	$ 207
As at December 30, 2012	$ 2	$ 113	$ 13	$ 128

For the years ended December 30, 2012 and 2011, there were no indicators of impairment in the carrying value of the Corporation's intangible assets. Accordingly no provisions have been recorded in these Financial Statements.

12. INVENTORIES

The inventories for the Corporation are categorized as follows:

	Dec. 30 2012	Dec. 30 2011
Raw materials and returnable glass containers	$ 1,262	$ 1,087
Brews in progress	726	599
Finished product	1,819	2,636
Consignment product	65	92
Dry goods store (resale goods)	20	15
Total Inventories	$ 3,892	$ 4,429

(in thousands of Canadian dollars, unless otherwise stated)

During the year ended December 30, 2012, charges of $45 (2011 - $187) and $146 (2011 - $221), respectively, were recorded to income relating to obsolete, damaged or unsellable packaging inventory and promotional and resale goods, and damaged finished goods inventory.

There were no reversals of amounts previously charged to income in respect of write-downs of inventory for the years ended December 30, 2012 and 2011.

Finished goods inventory includes $191 (2011 – $256) of depreciation charges on production equipment used to convert raw materials to finished goods.

13. ACCOUNTS RECEIVABLE

The Corporation's receivables arise from three main sources: trade receivables from the sale of beer and cider to provincial liquor boards, supplier rebates and other amounts. Other receivables include amounts due from sales to international customers and GST balances. The accounts receivable balances are broken down as follows:

	Dec. 30 2012	Dec. 30 2011
Provincial liquor boards	$ 2,121	$ 2,446
Supplier rebates	98	113
Other receivables	139	229
Total accounts receivable	$ 2,358	$ 2,788

Below is an aged analysis of the Corporation's trade and other receivables:

	Dec. 30 2012	Dec. 30 2011
Less than 30 days	$ 2,224	$ 2,327
30 – 60 days	130	359
60 – 90 days	—	9
Over 90 days	4	93
Total accounts receivable	$ 2,358	$ 2,788

The Corporation holds no collateral for any receivable amounts outstanding as at December 30, 2012.

14. PREPAID EXPENSES AND DEPOSITS

The prepaid expenses and deposits for the Corporation are categorized as follows:

	Dec. 30 2012	Dec. 30 2011
Community sponsorship	$ 83	$ 57
Prepaid insurance	85	77
Equipment rental and maintenance	58	50
Commissions	18	—
Promotional materials	114	27
Other	6	6
Total Prepaid expenses and other	$ 364	$ 217

(in thousands of Canadian dollars, unless otherwise stated)

15. SHARE CAPITAL

	December 30, 2012		December 30, 2011	
	# of shares	$ Amount	# of shares	$ Amount
Outstanding at beginning of year	6,057,678	99,954	6,057,678	99,954
Shares issued upon exercise of options	11,000	155	—	—
Outstanding at end of year	6,068,678	100,109	6,057,678	99,954

Big Rock is authorized to issue an unlimited number of common shares with no par value.

16. SHARE-BASED PAYMENTS

16.1 Stock Option Plan

The Corporation has a stock option plan which permits the Board of Directors of the Corporation to grant options to acquire common shares of the Corporation at the closing trading price on the date of the grant or the volume weighted average closing price for the five days preceding the date of grant, if no shares traded on the grant date. The Compensation Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements – including the terms of the option plan. The Corporation is authorized to issue options for a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan.

The general terms of stock options granted under the amended plan include a maximum exercise period of 5 years and vesting immediately. The options granted in the year ended December 30, 2012 were granted with an exercise period of 5 years and vested immediately.

On March 20, 2012, the Corporation granted 58,500 options at an exercise price of $13.45 with an expiry date of March 20, 2017. On August 3, 2012, the Corporation granted 58,500 options at an exercise price of $13.56 with an expiry date of August 3, 2017.

The weighted average fair value of the options issued at the grant date was estimated using the Black-Scholes option pricing model. The weighted average assumptions used for the calculations were:

	August 2012	March 2012	December 2011	August 2011	March 2011	August 2010
Weighted average fair value per option	1.59	1.97	1.44	1.03	1.95	1.15
Risk-free interest rate (%)	1.25	1.47	1.17	1.48	2.30	1.80
Expected life of the options (years)	4	4	4	4	4	4
Dividend rate (%)	5.96	5.71	6.43	6.73	4.80	7.10
Volatility in the price of the Corporation's shares (%)	28.1	28.5	28.5	23.4	23.5	22.0

A share-based compensation charge of $208 for the options granted during the year ended December 30, 2012 (2011 - $186) was recognized in statement of comprehensive income. Share-based compensation costs have been included in general and administrative expenses.

(in thousands of Canadian dollars, unless otherwise stated)

16.2 Stock Appreciation Rights Plan

On April 1, 2006 the Corporation introduced a stock appreciation rights plan ("SAR") to be used as a basis for incentive compensation to employees. Under the plan, employees who held incentive stock options previously issued in June 2005 with an exercise price of $19.07 (the "old" options) could exchange each old option for a new SAR. The SARs vest after a three year period beginning April 1, 2006 and were exercisable for two years thereafter at a price of $17.00 per trust unit (to be settled in cash). These SARs were all expired as at December 30, 2012.

In March 2012, the Corporation introduced a new SAR plan. These SARs vest immediately and are exercisable for five years thereafter. The SARs granted in March 2012 have an exercise price of $12.51 (to be settled in cash). In August 2012, the Corporation granted SARs with an exercise price of $13.56.

At the end of each reporting period, the fair value of the SARs, as determined by the Black-Scholes model, is recorded as a liability on the consolidated statement of financial position and recorded as compensation expense.

As at December 30, 2012, 106,600 SARs were outstanding (December 30, 2011 – 227,000). During the year ended December 30, 2012, 106,600 SARs were issued (2011 – nil), no SARs were exercised (2011 – nil) and 227,000 SARs expired (2011 – 220,250). As at December 30, 2012, the fair value of the SARs was calculated and resulted in a liability of $238 being recorded in compensation expense (December 30, 2011 - $nil).

16.3 Outstanding Stock Options

The following is a summary of option transactions under the Corporation's stock option plan:

	2012		2011	
	# of Options	**Weighted Average Exercise Price**	# of Options	Weighted Average Exercise Price
Balance, beginning of year	354,000	$ 15.50	262,000	$ 15.84
Expired	(137,000)	$ 15.62	(30,500)	$ 16.62
Exercised	(11,000)	$ 11.88	—	—
Issued	117,000	$ 13.51	122,500	$ 14.18
Balance, end of year	323,000	$ 14.85	354,000	$ 15.50

The following table summarizes information about stock options outstanding and exercisable at December 30, 2012:

Exercise Price	**# of Options Outstanding at December 30, 2012**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**# of Options Exercisable at December 30, 2012**
$11.88 to $13.45	112,000	3.96	$ 12.78	112,000
$13.56 to $16.60	109,000	3.96	$ 14.97	109,000
$17.00	102,000	2.65	$ 17.00	102,000
Balance, December 30	323,000	3.55	$ 14.85	323,000

(in thousands of Canadian dollars, unless otherwise stated)

17. BANK INDEBTEDNESS AND LONG-TERM DEBT

17.1 Operating Facility

On April 30, 2010, Big Rock renewed its $5.0 million demand operating facility with the Corporation's financial institution for a term of three years. The facility, which bears interest at prime plus one percent, is used to fund working capital requirements and allows for borrowing, repayment, and additional borrowing up to the amount specified as necessary. Collateral for these borrowings is a general assignment of Big Rock's assets.

As at December 30, 2012, no balance (December 30, 2011 - nil) was outstanding on the facility. The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at December 30, 2012 and December 30, 2011, Big Rock was in compliance with all covenants.

17.2 Long-term Debt and Credit Facility

On October 28, 2010, the Corporation renewed the term financing for a period of five years. The loan is repayable in monthly instalments of approximately $58 plus interest at the financial institution's prime plus 1.25 per cent.

The term financing and credit facility impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at December 30, 2012 and 2011, Big Rock was in compliance with all covenants.

Subsequent to year end, Big Rock signed a $12 million revolving operating loan facility which is available to payout previous borrowings as well as for general operating purposes and funding capital expenditure requirements. The facility is available by way of prime-based loans, guaranteed notes and letters of credit to a maximum of $2 million. For prime-based loans, interest will be payable at the financial institution's prime plus 1.0 percent; for guaranteed notes, the acceptance fee is payable at 2.75 percent; and for letters of credit, the fee is payable at 2 percent with a minimum fee of $100. The operating loan matures after a term of 3 years and any undrawn amounts under the facility will expire on May 31, 2016, if no extension has been granted.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Corporation are principally comprised of amounts outstanding for trade purchases relating to brewing, selling, and general and administrative activities. The usual credit period taken for trade purchases is between 30 to 90 days..

The following is an aged analysis of the trade and other payables:

	Dec. 30 2012	Dec. 30 2011
Less than 30 days	$ 3,551	$ 3,608
30 – 60 days	30	—
60 – 90 days	26	1
Over 90 days	371	54
Total accounts payable and accrued liabilities	$ 3,978	$ 3,663

19. DIVIDENDS PAYABLE

Big Rock declared dividends during the year ended December 30, 2012 in the amount of $4,852 ($0.80 per share) compared to $4,846 ($0.80 per unit) for the same period in 2011. Dividends were paid on April 16, July 16, and October 15 of 2012 and January 15, 2013.

(in thousands of Canadian dollars, unless otherwise stated)

Over the long term it is management's intention that Big Rock's dividends to its shareholders are funded by cash flow from operating activities with the remaining cash from operations directed towards capital spending and debt repayments. The Corporation intends to provide dividends to shareholders that are sustainable to the Corporation considering its liquidity and long-term operational strategies. Since the level of dividends is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future dividends cannot be assured.

Distributions declared to shareholders may exceed net income generated during a given period. Net income may not be an accurate indicator of the Corporation's liquidity, as it may be comprised of significant items not involving cash including deferred income tax and depreciation and amortization related expenses.

20. CAPITAL RISK MANAGEMENT

The Corporation includes as capital its common shares plus short-term and long-term debt, net of cash balances, and has no externally imposed capital requirements. The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern, in order to support the Corporation's normal operating requirements and to maintain a flexible capital structure which optimizes the costs 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.

	Dec. 30 2012	Dec. 30 2011
Bank indebtedness (cash)	$ (4,281)	$ (655)
Total debt	2,042	2,683
Shareholders' equity:		
Shareholders' capital	100,109	99,954
Contributed surplus	701	517
Accumulated deficit	(68,739)	(68,022)
Total shareholders' equity	32,071	32,449
Total capitalization (total debt plus shareholders' equity, net of cash balances)	$ 29,832	$ 34,477

The Corporation manages the capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets, which are approved by the Board of Directors. These budgets are updated as necessary depending on various factors, including capital deployment, results from operations, and general industry conditions.

In addition, the Corporation monitors its capital using ratios of (i) debt to total capitalization, (ii) working capital, and (iii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Debt to total capitalization is calculated as long-term debt, including current portion, plus bank indebtedness divided by total capital. Working capital is calculated by current assets by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. Both working capital and EBITDA to long-term debt are used for compliance with debt covenants.

The term EBITDA does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other companies. We define EBITDA as income before income taxes, adding back finance costs and depreciation and amortization (including depreciation and amortization amounts within cost of sales), as shown in the consolidated statements of comprehensive income and Note 4.

These capital policies, which remain unchanged from prior periods, provide Big Rock with access to capital at a reasonable cost.

21. FINANCIAL INSTRUMENTS

21.1 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, bank indebtedness, accounts payable and accrued liabilities, long term debt and dividends payable.

Big Rock's financial instruments and their designations are:

Classification of Financial Instrument	Designated as
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long term debt	Other financial liabilities
Dividends payable	Other financial liabilities

The primary risks arising from the Corporation's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, and are discussed later in this note.

21.2 Fair Value

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-to-maturity", "available-for-sale", "loans and receivables", fair value through profit or loss ("FVTPL"), or "other financial liabilities".

Financial instruments recorded in the consolidated statement of financial position are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Big Rock does not use Level 1 inputs for any of its fair value measurements.

Level 2 – Inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly. Big Rock's Level 2 inputs include quoted market prices for interest rates and credit risk premiums. Big Rock obtains information from sources including the Bank of Canada and market exchanges. Big Rock uses Level 2 inputs for all of its financial instruments fair value measurements.

Level 3 – Inputs that are not based on observable market data. Big Rock does not use Level 3 inputs for any of its fair value measurements.

Non-derivative financial assets and liabilities

Fair values for accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and distributions payable are not materially different from their carrying amounts due to their short-term nature.

The fair value of the Corporation's long-term debt approximates its carrying value as the debt bears interest at variable rates.

21.3 Financial Risk Management Objectives and Policies

The Corporation's financial instruments include cash, accounts receivable, accounts payable and amounts due under line of credit facilities. 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.

(i) Currency 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.

Foreign currency sensitivity analysis

An increase or decrease in US currency foreign exchange of 3% percent would result in a change to net income for the year ended December 30, 2012 of $2 (2011 – $1).

(ii) Interest rate risk

Big Rock is exposed to interest rate risk on the variable rate of interest incurred on the amounts due under operating and credit facilities 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.

The Corporation has not entered into any derivative instruments to manage interest rate fluctuations, however, management monitors interest rate exposure and given the relatively low expected rate of change in prime interest rates feels the risk is immaterial. Big Rock evaluates the policies surrounding interest rates on an as needed basis and is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Corporation.

The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term and the fair value of the Corporation's long-term debt does not change as interest rates change.

The weighted average interest rate incurred by the Corporation in the year ended December 30, 2012 was 4.30% (2011 – 4.26%).

Interest rate sensitivity analysis

In the event interest rates changed by 75 basis points, the Corporation's net income for the year ended December 30, 2012 would be affected by $11 (2011 – $15).

The sensitivity analysis assumes the change takes place at the beginning of the financial year and is held constant throughout the reporting period.

(iii) 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 as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. While substantially all of Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period. The majority of product sold outside of Canada, which is included in GST and other receivables, is done so on a 'Cash on Delivery' basis with no credit risk.

Credit risks associated with the potential non-performance by financial instrument counterparties has been minimized through the careful selection of vendors, the development of long term vendor relationships and the selective use of written arrangements to guarantee supply and payment terms.

(iv) Liquidity risk
Big Rock's principal 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.

(v) 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 cider 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.

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 Alberta government has recently undertaken a review of its mark-up rates, but no changes to existing regulations have yet been formally announced. As Alberta is Big Rock's predominant market, any changes to this mark-up rate structure could have significant impacts on the Corporation's financial results.

22. RELATED PARTY TRANSACTIONS

Related party transactions are included in selling expenses and relate to the engagement of a consultant, related to the Chairman of the Board, to coordinate work on special projects undertaken by the Corporation in the normal course of business. The expense recognized for the year ended December 30, 2012 was $36 (2011 - $173). As at December 30, 2012 nil was owing to the consultant (2011 – $10).

In January 2012, a company controlled by the Chairman of Big Rock commenced providing temporary general labour services to the Corporation in the normal course of business. The value of the transactions for the year ended December 30, 2012 was $10 (2011 - $nil). As at December 30, 2012 no amounts were owing to the related party.

All amounts have been recorded at the exchange amount.

(in thousands of Canadian dollars, unless otherwise stated)

23. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of key management, which is included in cost of sales and general and administrative expenses, is as follows:

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Salaries and other short-term benefits	$ 721	$ 815
Bonuses	188	148
Stock-based compensation	347	167
Total compensation	$ 1,256	$ 1,130

Key management includes the Directors (executive and non-executive), the Chief Executive Officer and President, the Chief Financial Officer and the Vice President Operations.

24. CHANGE IN NON-CASH WORKING CAPITAL

	Year ended Dec. 30 2012	Year ended Dec. 30 2011
Accounts payable and accrued liabilities	$ 741	$ 647
Inventory	472	(438)
Accounts receivable	430	(999)
Prepaid expenses	(147)	180
Total change in non-cash working capital	$ 1,496	$ (610)

25. COMMITMENTS FOR EXPENDITURE

As at December 30, 2012, the Corporation was a party to the following contracts:

- Effective July 1, 2011, the Corporation locked in an agreement with a natural gas retailer to provide natural gas at a fixed price of $4.83 per gigajoule for a period of two and one-half years, ending on December 31, 2013.

- In the fourth quarter of 2012, Big Rock entered into an agreement for the purchase of promotional materials for a total cost of approximately $62, of which $31 was payable at December 30. These materials, which will be used in the normal course of business, are expected to be received during the first quarter of 2013.

- Big Rock has a contract for the supply of malt barley through September 2013 at a fixed price of $575 per metric tonne. The barley will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

- Big Rock has signed a contract for the supply of specialty malt through 2013 at a fixed price of $1,395 per metric tonne. The malt will be used in the brewery's normal course of business, and delivered, as needed over the calendar year 2013, in quantities to ensure production targets are met.

- In August 2010, the Corporation entered into an agreement with an electricity retailer to provide electricity for a period of five years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

- In December 2012, the Corporation renewed an operating lease for premises in Edmonton in the amount of $2 per month for a period of one year.

The Corporation has received various government grants, which have certain terms and conditions, as disclosed in note 1. A violation of these terms and conditions may result in Big Rock having to repay an amount, up to and including the total funds received under the grant. For the years ended December 30, 2012, no such violations have occurred; consequently no provision for repayment has been included in the financial statements.

26. SUBSEQUENT EVENTS

On March 19, 2013 the Board of Directors approved a dividend payable to shareholders of record as at March 29, 2013 in the amount of $0.20 per share. The dividend will be paid on April 15, 2013.

On March 19, 2013 the Corporation granted 58,500 stock options and 54,300 share appreciation rights to officers, employees and directors at an exercise price of $14.95 with an expiry date of March 19, 2018. These grants vested immediately.

27. SEGMENTED INFORMATION

The Corporation conducts its business as a single operating segment being the producer of craft beer and cider in Canada. All property, plant and equipment are situated in Canada. Investment revenue was earned from domestic sources.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Big Rock Brewery Inc. for the year ended December 30, 2012 were approved and authorized for issue by the Board of Directors on March 19, 2013.

CORPORATE INFORMATION

DIRECTORS

Edward E. McNally
Chairman
Calgary, Alberta

John Hartley
Rancher
Calgary, Alberta

James M. Jackson
Developer
Jackson & Jackson
Durango, Colorado

Michael G. Kohut
Chief Financial Officer
Trilogy Energy Trust
Calgary, Alberta

Kathleen McNally-Leitch
Administrator
University of Calgary Lecture Series
Calgary, Alberta

J. Cameron Millikin
Former Chairman
Bay Mount Capital Resources, Inc.
Calgary, Alberta

Robert G.Peters
Chairman
Black Diamond Land & Cattle Ltd.
Calgary, Alberta

Jim Riddell
President & Chief Operating Officer
Paramount Resources Ltd.
Calgary, Alberta

Gordon G. Tallman
Corporate Director
Calgary, Alberta

OFFICERS AND SENIOR PERSONNEL

Robert Sartor
President & Chief Executive Officer

Barbara Feit
Chief Financial Officer

Paul Gautreau
Vice President, Operations & Brewmaster

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