

REPORT TO SHAREHOLDERS

Big Rock Brewery, one of North America's leading specialty brewers, is pleased to announce its results for the first quarter ended June 30, 2002.

Gross sales revenue increased to \$10,333,625 this quarter from \$9,204,986 in the same quarter last year, a 12% increase.

In terms of volume, hectolitres sold increased to 40,697 from 33,725 the previous year, a 21% increase.

Revenue net of government taxes and commissions increased to \$7,863,009 from \$6,700,369 last year, a 17% increase. This improvement is primarily due to increased sales volume as well as the decrease in the Alberta Government markup on beer charged to the small brewery sector effective April 5, 2002.

EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter was \$1,597,864, a 39% increase over last year EBITDA at \$1,152,003.

Net income for the quarter was \$801,686 up 72% from \$464,970 last year.

At quarter-end the Company had utilized \$841,526 (2001 – \$2,137,567) of its \$3,000,000 bank operating line of credit. This credit facility bears interest at Royal Bank prime rate.

The Company's long-term debt facility, also with the Royal Bank of Canada, was paid down by \$458,231 during the quarter to \$2,740,828. At the current rate of debt reduction the Company's long-term debt will be eliminated in approximately eighteen months.

Subsequent to quarter end, Big Rock acquired 100% of Bear Brewing Company Ltd. of Kamloops, B.C. for 100,000 Big Rock shares valued at \$7.75 for a total consideration of \$775,000. The purchase price equation will be determined upon completion of Bear's June financial statements. Simultaneously, Big Rock acquired the remaining 50% of Bear View Developers Ltd. for a cash payment \$215,000. Bear View owns the land and building that Bear Brewing occupies. Big Rock had acquired its initial 50% of Bear View in the previous fiscal year. These acquisitions will be accounted for using the purchase method.

Bear Brewing is profitable and we expect that this acquisition will immediately benefit earnings as Big Rock pursues its strategy of becoming a more significant player in the specialty beer market in British Columbia.

Bear Brewing Company Ltd. is an established craft brewer with several popular brands including Black Bear Ale, Brown Bear Ale, and Polar Bear Lager. The Company also produces Joe Stiff's Spiked Root Beer, a vodka based beverage and several private brand products.

For the information of our American shareholders, effective August 1, 2002 Big Rock's trading symbol on the Nasdaq Stock Exchange will change from BEERF to BEER.

On behalf of the Board of Directors and staff of Big Rock, I thank you for your continuing interest and support.

Cheers!

Edward E. McNally,
Chief Executive Officer
July 2002
Calgary, Alberta, Canada

THE BIG ROCK FAMILY

TRADITIONAL
ALE

Big Rock's original. A traditional English-style amber ale with a soft but distinctive taste.

Grasshopper
WHEAT ALE

A unique wheat ale that is easy to drink and exceptionally refreshing. Influenced by Germany's Kristall Weizen, Grasshopper is delicately hopped and delivers a smooth, bright finish.

WARTHOG CREAM ALE

A smooth ale with a clean, pure and refreshing taste. A thirst quenching beastly brew, for everyone to enjoy.

McNALLY'S
EXTRA
ALE

Our famous hearty brew of Irish descent with 7% alcohol content. "As good an Irish ale as can be found anywhere" Michael Jackson's The New World Guide to Beer.

ALBERTA
GENUINE
DRAFT
NO PRESERVATIVES
TRADITIONALLY BREWED IN CANADA

Alberta Genuine Draft is brewed using only 100% Alberta grown barley malt, select hops, Rocky Mountain water and special lager yeast. It has a crisp, clean, thirst quenching flavour with no after-taste.

PALE
India Pale Ale

Our dry-hopped, fermenter conditioned India Pale Ale is brewed in the traditional IPA method. The result is an exceptionally well balanced, flavourful ale; refined and subtle.

BLACK
AMBER
ALE

Our dark Alberta stout is a hearty, full-flavoured, rich, rewarding, soul-uplifting beer that is deeply satisfying. Made with dark roasted imported and domestic malts.

McNALLY'S
RESERVE

Soft, creamy and as dry as Irish humor, this refreshing mild stout has hints of espresso, licorice and black pepper. The beer is dark in colour with a dense head of pillowy foam, a creamy body and a rich roasted dryness in the finish.

KÖLD
ALL BEER IS BIG ROCK

A single malt lager made from glacial spring water, choice hops and our own lager yeast. The result is an unusually clean, crisp beer with no bitter aftertaste.

ROCK
CREEK
PREMIUM
DRY CIDER
APPLE

Rock Creek Dry Cider is a premium Okanagan Cider consisting of a unique blend of Okanagan and European apple varieties grown in the Central Okanagan. Brewed with a combination of premium ingredients, the end result is an all natural refreshing dry cider.

big Rock

First Quarter Report

Three Months Ended June 30, 2002



BIG ROCK BREWERY LTD.

CONSOLIDATED BALANCE SHEET

(Canadian \$)	30-Jun-02 (unaudited)	31-Mar-02 (audited)
ASSETS		
CURRENT		
Cash & cash equivalents	\$ 363,983	\$ 1,016,158
Accounts receivable	3,176,699	2,116,325
Inventories	3,195,573	2,896,052
Prepaid expenses & other	424,390	417,445
Investments	47,192	46,365
	<u>7,207,837</u>	<u>6,492,345</u>
Capital assets	26,212,653	25,872,488
Long-term investment	227,222	227,222
Deferred charges	214,077	216,806
Goodwill	251,830	251,830
TOTAL ASSETS	<u>\$34,113,619</u>	<u>\$33,060,691</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ 841,526	\$ 1,857,882
Accounts payable and accrued liabilities	2,979,364	1,334,322
Income tax payable	345,830	468,894
Current portion of long-term debt	1,696,784	1,696,784
	<u>5,863,504</u>	<u>5,357,882</u>
Long-term debt	1,044,044	1,502,275
Future income taxes	4,444,771	4,416,400
TOTAL LIABILITIES	<u>11,352,319</u>	<u>11,276,557</u>
SHAREHOLDERS' EQUITY		
Share capital	13,307,471	13,131,991
Retained earnings	9,453,829	8,652,143
TOTAL SHAREHOLDERS' EQUITY	<u>22,761,300</u>	<u>21,784,134</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$34,113,619</u>	<u>\$33,060,691</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS & RETAINED EARNINGS

(Canadian \$)	Three Months Ended June 30	
	2002	2001
	(unaudited)	
REVENUE		
Sales	\$10,333,625	\$ 9,204,986
Government taxes and commissions	2,470,616	2,504,617
	<u>7,863,009</u>	<u>6,700,369</u>
Cost of sales	3,211,058	2,719,134
GROSS PROFIT	<u>4,651,951</u>	<u>3,981,235</u>
EXPENSES		
Selling	2,404,880	2,307,818
General & administrative	649,207	521,414
Interest	30,522	92,247
Amortization	360,350	300,000
	<u>3,444,959</u>	<u>3,221,479</u>
INCOME BEFORE INCOME TAXES	<u>1,206,992</u>	<u>759,756</u>
Current income tax expense	376,935	88,436
Future income tax expense	28,371	206,350
	<u>405,306</u>	<u>294,786</u>
Net income for period	801,686	464,970
Retained earnings, beginning of period	8,652,143	7,484,082
Redemption of common shares	-	(49,725)
RETAINED EARNINGS, END OF PERIOD	<u>\$ 9,453,829</u>	<u>\$ 7,889,327</u>
NET INCOME PER SHARE	<u>\$0.15</u>	<u>\$0.09</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian \$)	Three Months Ended June 30	
	2002	2001
	(unaudited)	
OPERATING ACTIVITIES		
Net income for period	\$ 801,686	\$ 464,970
Items not affecting cash:		
Amortization	360,350	300,000
Future income taxes	28,371	206,350
	<u>1,190,407</u>	<u>971,320</u>
Net change in non-cash working capital	154,311	(727,798)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,344,718</u>	<u>243,522</u>
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(1,016,356)	774,660
Repayment of long-term debt	(458,231)	(458,938)
Share repurchase	-	(107,998)
Issuance of shares	175,480	990,000
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(1,299,107)</u>	<u>1,197,724</u>
INVESTING ACTIVITIES		
Additions to capital assets	(700,515)	(1,364,706)
Deferred charges	2,729	-
CASH USED IN INVESTING ACTIVITIES	<u>(697,786)</u>	<u>(1,364,706)</u>
NET INCREASE (DECREASE) IN CASH	<u>(652,175)</u>	<u>76,540</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,016,158</u>	<u>1,602,202</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 363,983</u>	<u>\$1,678,742</u>

see accompanying notes

NOTES TO FINANCIAL STATEMENTS

30-Jun-02

1. These interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended March, 31, 2002. Accounting policies and methods followed in the preparation of these financial statements are the same as those summarized in note 2 to the consolidated financial statements for the year ended March 31, 2002 except as noted below.

2. Change in Accounting policy

Goodwill - during the first quarter of 2002, the Company adopted the new recommendations for goodwill. Previously, the Company amortized goodwill over 20 years. Under the new recommendations, goodwill is no longer amortized but is instead subjected to an annual impairment test with any resulting impairment charged to earnings. The Company is also required to perform an initial impairment test as of April 1, 2002 and to charge any impairment to opening retained earnings. As required by the new recommendations, the Company will complete its initial goodwill impairment test by the end of the second quarter.

Stock Compensation - during the first quarter of 2002, the Company adopted the new recommendations for stock-based compensation. The Company has a stock-based compensation plan which is a common share option plan for employees, directors, and consultants. As permitted by the new recommendations, no compensation expense is recognized for this plan.

3. Stock Compensation

The Company is required to disclose pro-forma net earnings using the fair value method of accounting for stock-based compensation. The pro-forma adjustment is to net earnings for new awards granted since inception of the new stock-based compensation recommendation on April 1, 2002. During the quarter, there were no new options granted, as such there is no pro-forma compensation expense.

4. Issued & Outstanding Common shares

	# Shares	Amount \$
Balance as at March 31, 2002	5,241,556	\$13,131,991
Issuance of shares	35,800	175,480
Balance as at June 30, 2002	<u>5,277,356</u>	<u>\$13,307,471</u>