

REPORT TO UNITHOLDERS

Big Rock Brewery Income Trust is pleased to report to unitholders its consolidated financial results for its quarter ended June 30, 2003. These results reflect the consolidated operations of the Trust, Big Rock Brewery Ltd. ("Big Rock") and its wholly owned subsidiaries Bear Brewing Company Ltd. and Whistler Brewing Company Ltd.

Big Rock, one of North America's leading specialty brewers, was reorganized into Big Rock Brewery Income Trust on January 10, 2003 pursuant to a statutory plan of arrangement. The Trust, indirectly through its operating entities, operates Big Rock's premium brewing business. The purpose of the conversion was to create a trust entity which distributes a substantial amount of its cashflow to unitholders on a monthly basis.

The Trust has selected December 31 as its fiscal year-end instead of March 31 as previously reported by Big Rock Brewery Ltd. It is anticipated that Big Rock and its subsidiaries will change their fiscal year-ends to December 31 to correspond with the fiscal year-end of the Trust. Financial results for the period after the effective date of the plan of arrangement reflects the continuity of interest basis of accounting.

On behalf of the Board of Directors and staff, I thank you for your continued support of our Company and our products.

Cheers,



Edward E. McNally
Chief Executive Officer
August 5, 2003
Calgary, Alberta, Canada

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion and analysis should be read in conjunction with the annual audited consolidated financial statements of Big Rock Brewery Income Trust as at and for the year ended March 31, 2003, together with Management's Discussion and Analysis contained in the 2003 annual report, including the section on risks and uncertainties.

Operating Results:

For the quarter ended June 30, 2003, net sales revenue, which is gross sales less government taxes and commissions, rose to \$9,754,918 from \$7,863,009 last year, a 24% increase.

Sales volume in hectoliters increased this quarter to 48,587 from 38,227 the previous year, a 27% increase. The average price realized per hectoliter declined by 5% reflecting a changing sales mix.

Cost of sales this quarter was \$3,457,582, an increase of 8% over last year. The acquisition of the Kamloops brewery has

reduced the per hectoliter application of labor and overhead to production thus resulting in an improvement in manufacturing costs this quarter over the same period last year.

Gross profit, which is net sales less cost of sales, was up 35% from \$4,651,951 last year to \$6,297,336 this year.

Selling expenses increased to \$2,844,304 this quarter compared to \$2,404,880 for the same period last year, an 18% increase. Management's stated objective of reducing selling costs per hectoliter by more carefully targeting sales promotions over the last year has resulted in slowing the growth of selling expenses as sales increase. General and administrative expenses increased to \$871,503 from \$649,207 the previous year. This increase arose principally from the addition of staff, property and business tax, and other office costs resulting from the consolidation of the Kamloops operation.

The Trust booked a provision of \$374,722 during the quarter, representing its best estimate of the cost of settling a dispute regarding distribution of a competitor's product in Western Canada in prior years. This matter has not yet been resolved.

EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter was \$2,206,807 compared to EBITDA of \$1,597,864 in the comparative quarter in the prior year a 38% increase.

Net income for the quarter was \$1,543,133 compared to \$801,686 last year, an increase of 92%.

Earnings per Unit/Share were \$0.28 this quarter compared to \$0.15 for the same quarter last year.

On January 10, 2003 the Trust announced a policy of monthly distributions of \$0.06 per trust unit for the remainder of 2003. The Trust declared total cash distributions of \$0.18 per trust unit this quarter amounting to \$999,065 in total. For the first two quarters of calendar 2003 the total cash distributions were \$0.34 per trust unit amounting to \$1,885,676 in total.

Cash Flow:

Cash provided by operating activities for the quarter was \$1,489,659 compared to \$104,685 in the quarter ended March 31, 2003 and \$1,344,718 in the quarter ended June 30, 2002. The differences are primarily due to improved operating results, the timing of the collection of accounts receivable and the payment of accounts payable over the various quarter ends and the absence of costs in the current quarter related to Big Rock's reorganization.

Financing activities for the quarter include a repayment of \$100,000 of long-term debt and \$998,501 of cash distributions paid out to Unitholders. In addition \$52,590 was received in connection with the exercise of options.

Cash used in investing activities includes the purchase of capital assets of \$1,246,722. These expenditures were related to the expansion of the warehouse and installation of a new bottling line at the Kamloops brewery and the expansion of the fermentation cellars at the Calgary brewery.

CONSOLIDATED BALANCE SHEETS

	30-Jun-03 (unaudited)	31-Mar-03 (audited)
Assets		
Current		
Cash and cash equivalents	\$1,099,564	–
Accounts receivable	2,867,942	\$1,979,813
Income tax recoverable	1,346,275	117,670
Inventories	4,418,591	4,084,054
Prepaid expenses and other	589,973	945,730
Investments	54,785	54,785
	<u>10,377,130</u>	<u>7,182,052</u>
Capital assets	29,340,457	28,521,343
Deferred charges	127,769	145,410
Goodwill	727,218	727,218
Total assets	<u>\$40,572,574</u>	<u>\$36,576,023</u>
Liabilities and Unitholders' Equity		
Current		
Bank indebtedness	\$3,685,637	\$1,800,740
Accounts payable and accrued liabilities	2,891,146	2,190,704
Distributions payable	333,097	332,533
Current portion of long-term debt	1,161,500	1,161,500
	<u>8,071,380</u>	<u>5,485,477</u>
Long-term debt	1,417,247	1,517,247
Future income taxes	5,738,409	4,824,419
Total liabilities	<u>15,227,036</u>	<u>11,827,143</u>
Contingency (note 5)		
Unitholders' equity		
Trust unitholders' capital (note 3)	14,742,941	14,690,351
Undistributed income	10,602,597	10,058,529
Total Unitholders' equity	<u>25,345,538</u>	<u>24,748,880</u>
Total Liabilities and Unitholders' equity	<u>\$40,572,574</u>	<u>\$36,576,023</u>

CONSOLIDATED STATEMENTS OF OPERATIONS & UNDISTRIBUTED INCOME/RETAINED EARNINGS

	Big Rock Brewery Income Trust Three Months ended June 30 (unaudited)	Big Rock Brewery Ltd. 2002
	2003	2002
Revenue		
Sales	\$12,474,739	\$10,333,625
Government taxes and commissions	(2,719,821)	(2,470,616)
	<u>9,754,918</u>	<u>7,863,009</u>
Cost of sales	3,457,582	3,211,058
Gross profit	<u>6,297,336</u>	<u>4,651,951</u>
Expenses		
Selling	2,844,304	2,404,880
General and administrative	871,503	649,207
Amortization	427,608	360,350
Provision for settlement of outstanding claim	374,722	–
Interest	80,147	30,522
	<u>4,598,284</u>	<u>3,444,959</u>
Income before income taxes	1,699,052	1,206,992
Current income tax expense (recovery)	(758,071)	376,935
Future income tax expense	913,990	28,371
	<u>155,919</u>	<u>405,306</u>
Net income for the period	<u>1,543,133</u>	<u>801,686</u>
Undistributed income/Retained earnings, beginning of period	10,058,529	8,652,143
Cash distributions	(999,065)	–
Undistributed income/Retained earnings, end of period	<u>\$ 10,602,597</u>	<u>\$ 9,453,829</u>
Net income per unit/share		
Basic and diluted	<u>\$0.28</u>	<u>\$0.15</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

	Big Rock Brewery Income Trust	Big Rock Brewery Ltd.
	Three Months Ended June 30	
	(unaudited)	(unaudited)
	2003	2002
Operating Activities		
Net income for period	\$ 1,543,133	\$801,686
Items not affecting cash:		
Amortization	427,608	360,350
Future income taxes	913,990	28,371
	<u>2,884,731</u>	<u>1,190,407</u>
Net change in non-cash working capital	(1,395,072)	154,311
Cash provided by operating activities	1,489,659	1,344,718
Financing Activities		
Increase (decrease) in bank indebtedness	1,884,897	(1,016,356)
Repayment of long-term debt	(100,000)	(458,231)
Distribution payments	(998,501)	-
Issuance of units/shares	52,590	175,480
	<u>838,986</u>	<u>(1,299,107)</u>
Cash provided by (used in) financing activities	838,986	(1,299,107)
Investing Activities		
Purchase of capital assets	(1,246,722)	(700,515)
Deferred charges and other assets	17,641	2,729
	<u>(1,229,081)</u>	<u>(697,786)</u>
Cash used in investing activities	(1,229,081)	(697,786)
Net increase (decrease) in cash and cash equivalents	1,099,564	(652,175)
Cash and cash equivalents, beginning of period	-	1,016,158
Cash and cash equivalents, end of period	\$ 1,099,564	\$ 363,983

see accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

1. These interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of Big Rock Brewery Income Trust as at and for the year ended March 31, 2003. Accounting policies and methods followed in the preparation of these interim financial statements are the same as those summarized in note 3 to the consolidated financial statements of the Trust for the year ended March 31, 2003.

2. Reorganization

Effective January 10, 2003 Big Rock Brewery Ltd. was reorganized into Big Rock Brewery Income Trust. Shareholders of Big Rock received one Big Rock Brewery Income Trust unit for each common share held. Those share option holders of Big Rock Brewery Ltd. who did not exercise their "in the money" share options upon conversion to Trust units received replacement Trust unit options with the same vesting, exercise price and expiry date as the share options. The unitholders of the Trust are entitled to receive cash distributions paid by the Trust and will be entitled to one vote for each Trust unit held at unitholders meetings. The trust units of the Trust commenced trading on the Toronto Stock Exchange under the symbol "BR.UN" on January 15, 2003. The trust units are not listed for trading on the NASDAQ system. The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta. The Trust owns all the securities of Big Rock Brewery Ltd. which entitles the Trust to receive all cash flow available for distribution from the business of Big Rock after debt service payments, maintenance capital expenditures and other cash requirements.

3. Issued & Outstanding Trust units

	# Units	Amount \$
Balance as at March 31, 2003	5,542,224	14,690,351
Units issued on exercise of options	9,400	52,590
Balance as at June 30, 2003	<u>5,551,624</u>	<u>14,742,941</u>

As at June 30, 2003 there were 482,500 unit options outstanding

During the quarter there were no options granted, 9,400 options were exercised and 5,300 options were cancelled.

4. Cash distribution declared per trust unit issued and outstanding:

Period covered	Record date	Distribution date	Per Unit
January 11, 2003 -January 31, 2003	January 31	February 15	\$0.04
February 1, 2003 -February 28, 2003	February 28	March 15	\$0.06
March 1, 2003 -March 31, 2003	March 31	April 15	\$0.06
April 1, 2003 -April 30, 2003	April 30	May 15	\$0.06
May 1, 2003 -May 31, 2003	May 31	June 15	\$0.06
June 1, 2003 -June 30, 2003	June 30	July 15	\$0.06

5. Contingency

In fiscal 2002 Big Rock terminated an agreement with a competitor relating to the distribution of their product in Western Canada. A dispute ensued regarding amounts owing under the agreement. At the time and throughout fiscal 2002 and 2003 Big Rock believed that no additional amount was owing based on the releases contained in a Termination Agreement signed by the competitor. However in May 2003 Big Rock received a claim from the competitor seeking further amounts owing. Following investigation Big Rock made an offer to settle the dispute by way of a payment of \$374,722 to be made over a two year period.

The Trust is now in negotiations with the other party but expects that its offer will be accepted with little or no adjustment. As a result Big Rock recorded a one time charge to earnings in the quarter ended June 30, 2003 reflecting its best estimate of the amount of the settlement.

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First Quarter Report

Three Months Ended June 30, 2003



BIG ROCK BREWERY INCOME TRUST