

REPORT TO UNITHOLDERS

Big Rock Brewery Income Trust is pleased to report to unitholders its consolidated financial results for its quarter ended September 30, 2003. These results reflect the consolidated operations of the Trust, Big Rock Brewery Ltd. ("Big Rock") and its wholly owned subsidiaries Kamloops Brewery Ltd. (formerly 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. Big Rock and its subsidiaries have changed 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 reflect the continuity of interest basis of accounting.

For the quarter ended September 30, 2003, sales revenue rose to \$12,969,097 from \$11,269,829 last year, a 15% increase. Year-to-date (April – September) sales revenue was \$25,443,836 (2002 - \$21,603,455).

Sales volume in hectoliters increased this quarter to 52,025 from 44,416 the previous year, a 17% increase. The average price realized per hectoliter decreased by 2% this quarter compared to the same quarter last year due to changing sales mix reflecting sales volume increases in our value priced lager beers. Year-to-date sales volume was 100,611 hectoliters (2002 – 87,761 hectoliters).

Cost of sales this quarter was \$3,561,160, an increase of 5% over last year. Year-to-date cost of sales was \$7,018,742 (2002 - \$6,609,296). 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 over the same period last year.

Gross profit, which is net sales less cost of sales, was \$6,437,000 this quarter up 18% from \$5,451,460 last year. Year-to-date gross profit was \$12,734,336 (2002 - \$10,103,412).

Selling expenses increased to \$2,891,808 this quarter compared to \$2,614,102 for the same period last year, an 11% increase. Year-to-date selling expenses were \$5,736,112 (2002 - \$5,018,983). Management continues to focus on tracking the effectiveness of promotional investment. General and administrative expenses increased to \$872,550 this quarter from \$744,101 the previous year. Year-to-date general and administrative expenses were \$1,744,053 (2002 - \$1,393,308). 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.

Last quarter, the Trust booked a provision of \$374,722 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 however Management expects that final resolution will occur prior to year-end.

EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter was \$2,672,642 compared to EBITDA of \$2,093,257 in the comparative quarter in the prior year a 28% increase. Year-to-date EBITDA was \$4,879,449 (2002 - \$3,691,121) an increase of 32%.

Net income for the quarter was \$1,770,302 compared to \$925,129 last year a 91% increase. Year-to-date net income was \$3,313,435 (2002 - \$1,726,815) an increase of 92%.

Earnings per unit/share were \$0.32 this quarter compared to \$0.17 for the same quarter last year. Year-to-date earnings per unit/share were \$0.60 (2002 - \$0.32).

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 \$1,000,776 in total. For the first three quarters of calendar 2003 the total cash distributions were \$0.52 per trust unit amounting to \$2,886,452 in total.

Cash provided by operating activities for the quarter was \$2,833,305 (2002 - \$1,157,593). Year-to-date cash provided by operating activities was \$4,323,528 (2002 - \$2,385,565). The differences are primarily the timing of the collection of accounts receivable and the payment of accounts payable over the various quarter ends.

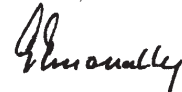
Cash distributed to unitholders during the quarter was \$1,000,776 and cash distributed to unitholders during the first two quarters was \$1,999,841.

Financing activities include a repayment of \$75,000 of long-term debt during the quarter; year-to-date long-term debt repayments were \$175,000. In addition \$91,100 was received in connection with the exercise of options; year-to-date \$143,690 was received from the exercise of options.

Cash used in investing activities includes the purchase of capital assets of \$663,206. Year-to-date \$1,909,928 has been invested in capital assets. This expenditure was primarily for warehouse expansion and equipment upgrades at the Kamloops facility as well as additional fermentation capacity for the Calgary brewery.

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

Cheers,



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

CONSOLIDATED BALANCE SHEETS

	30-Sep-03 (unaudited)	31-Mar-03 (audited)
Assets		
Current		
Cash and cash equivalents	\$ 224,932	–
Accounts receivable	2,105,142	\$ 1,979,813
Income tax recoverable	1,924,148	117,670
Inventories	4,305,733	4,084,054
Prepaid expenses and other	489,374	945,730
Investments	55,328	54,785
	<u>9,104,657</u>	<u>7,182,052</u>
Capital assets	29,569,655	28,521,343
Deferred charges	127,769	145,410
Goodwill	727,218	727,218
Total assets	<u>\$39,529,299</u>	<u>\$36,576,023</u>
Liabilities and Unitholders' Equity		
Current		
Bank indebtedness	\$ 1,625,582	\$ 1,800,740
Accounts payable and accrued liabilities	2,624,650	2,190,704
Distributions payable	333,982	332,533
Current portion of long-term debt	1,161,500	1,161,500
	<u>5,745,714</u>	<u>5,485,477</u>
Long-term debt	1,342,247	1,517,247
Future income taxes	6,235,174	4,824,419
Total liabilities	<u>13,323,135</u>	<u>11,827,143</u>
Contingency (note 5)		
Unitholders' equity		
Trust unitholders' capital (note 3)	14,834,041	14,690,351
Undistributed income	11,372,123	10,058,529
Total Unitholders' equity	<u>26,206,164</u>	<u>24,748,880</u>
Total Liabilities and Unitholders' equity	<u>\$39,529,299</u>	<u>\$36,576,023</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS & UNDISTRIBUTED INCOME/RETAINED EARNINGS

	Big Rock Brewery Income Trust Three Months Ended September 30 (unaudited)	Big Rock Brewery Ltd. Three Months Ended September 30 (unaudited)	Big Rock Brewery Income Trust Six Months Ended September 30 (unaudited)	Big Rock Brewery Ltd. Six Months Ended September 30 (unaudited)
	2003	2002	2003	2002
Revenue				
Sales	\$12,969,097	\$11,269,829	\$25,443,836	\$21,603,455
Government taxes and commissions	(2,970,937)	(2,420,131)	(5,690,758)	(4,890,747)
	<u>9,998,160</u>	<u>8,849,698</u>	<u>19,753,078</u>	<u>16,712,708</u>
Cost of sales	3,561,160	3,398,328	7,018,742	6,609,296
Gross profit	<u>6,437,000</u>	<u>5,451,460</u>	<u>12,734,336</u>	<u>10,103,412</u>
Expenses				
Selling	2,891,808	2,614,102	5,736,112	5,018,983
General & administrative	872,550	744,101	1,744,053	1,393,308
Interest	94,251	111,175	174,398	141,697
Provision for outstanding claim [note 5]	–	–	374,722	–
Amortization	434,008	441,912	861,616	802,262
	<u>4,292,617</u>	<u>3,911,290</u>	<u>8,890,901</u>	<u>7,356,250</u>
Income before income taxes	2,144,383	1,540,170	3,843,435	2,747,162
Current income tax expense (recovery)	(122,684)	571,577	(880,755)	948,512
Future income tax expense	496,765	43,464	1,410,755	71,835
	<u>374,081</u>	<u>615,041</u>	<u>530,000</u>	<u>1,020,347</u>
Net income for the period	<u>1,770,302</u>	<u>925,129</u>	<u>3,313,435</u>	<u>1,726,815</u>
Undistributed income/Retained earnings, beginning of period	10,602,597	9,453,829	10,058,529	8,652,143
Cash distributions	(1,000,776)	–	(1,999,841)	–
Undistributed income/Retained earnings, end of period	<u>\$11,372,123</u>	<u>\$10,378,958</u>	<u>\$11,372,123</u>	<u>\$ 10,378,958</u>
Net income per unit/share				
Basic	\$0.32	\$0.17	\$0.60	\$0.32
Diluted	\$0.31	\$0.17	\$0.59	\$0.32

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

	Big Rock Brewery Income Trust Three Months Ended September 30 (unaudited)	Big Rock Brewery Ltd. Three Months Ended September 30 (unaudited)	Big Rock Brewery Income Trust Six Months Ended September 30 (unaudited)	Big Rock Brewery Ltd. Six Months Ended September 30 (unaudited)
	2003	2002	2003	2002
Operating Activities				
Net income for period	\$1,770,302	\$ 925,129	\$3,313,435	\$1,726,815
Items not affecting cash:				
Amortization	434,008	441,912	861,616	830,400
Future income taxes	496,765	43,464	1,410,755	71,835
	<u>2,701,075</u>	<u>1,410,505</u>	<u>5,585,806</u>	<u>2,629,050</u>
Net change in non-cash working capital relating to operating activities	132,230	(252,912)	(1,262,278)	(243,485)
Cash provided by operating activities	2,833,305	1,157,593	4,323,528	2,385,565
Financing Activities				
Decrease in bank indebtedness	(2,060,055)	(100,376)	(175,158)	(1,116,732)
Repayment of long-term debt	(75,000)	(463,543)	(175,000)	(919,524)
Distribution payments	(1,000,776)	–	(1,999,841)	–
Shares/units issued on exercise of options	91,100	112,217	143,690	287,698
Cash used in financing activities	(3,044,731)	(451,702)	(2,206,309)	(1,748,558)
Investing Activities				
Purchase of capital assets	(663,206)	(190,126)	(1,909,928)	(763,295)
Acquisition of Bear View	–	(215,000)	–	(215,000)
Deferred charges and other assets	–	(15,184)	17,641	(25,306)
Cash used in investing activities	(663,206)	(420,310)	(1,892,287)	(1,003,601)
Net increase (decrease) in cash	(874,632)	285,581	224,932	(366,594)
Cash and cash equivalents, beginning of period	1,099,564	363,983	–	1,016,158
Cash and cash equivalents, end of period	\$ 224,932	\$ 649,564	\$ 224,932	\$ 649,564

see accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 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 are 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	5,551,624	14,742,941
Units issued on exercise of options	14,750	91,100
Balance as at September 30, 2003	<u>5,566,374</u>	<u>14,834,041</u>

As at September 30, 2003 there were 487,050 unit options outstanding.

During the period there were 57,500 options granted at an exercise price of \$8.50 and 32,100 options were cancelled.

	Three Months Ended 30-Sep-03	Six Months Ended 30-Sep-03
	\$	\$
Net income for the period as reported	1,770,302	3,313,435
Compensation expense	23,757	23,757
Pro forma net income for the period	<u>1,746,545</u>	<u>3,289,678</u>
Reported earnings per unit - basic	0.32	0.60
Compensation expense per unit	0.01	0.01
Pro forma earnings per unit - basic	<u>0.31</u>	<u>0.59</u>
Pro forma earnings per unit - diluted	<u>0.30</u>	<u>0.58</u>

For the three months ended September 30, 2003, the estimated fair value of options issued was determined using the following weighted average assumptions:

Risk-free interest rate (%)	4.00
Estimated hold period prior to exercise (years)	4
Volatility in the price of the Trust's units (%)	0.176
Dividend yield (%)	8.50

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
July 1, 2003 –July 31, 2003	July 31	August 15	\$0.06
August 1, 2003 –August 31, 2003	August 31	September 15	\$0.06
September 1, 2003 –September 30, 2003	September 30	October 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.

big Rock
Second Quarter Report

Six Months Ended
September 30, 2003



BIG ROCK BREWERY INCOME TRUST