

CONSOLIDATED BALANCE SHEETS

	31-Mar-05 (unaudited)	31-Dec-04
Assets		
Current		
Cash	\$ 278,796	\$ 2,093,695
Accounts receivable	2,981,523	2,758,246
Inventories	4,517,800	4,667,950
Prepaid expenses and other	404,575	427,169
Investments	33,008	33,008
	<u>8,215,702</u>	<u>9,980,068</u>
Property plant and equipment	30,586,381	29,897,468
Deferred charges and other assets	323,969	323,714
Goodwill	727,218	727,218
	<u>\$ 39,853,270</u>	<u>\$ 40,928,468</u>
Liabilities and Unitholders' Equity		
Current		
Accounts payable and accrued liabilities	2,494,160	3,176,104
Income taxes payable	299,450	252,140
Distributions payable	588,022	585,942
	<u>3,381,632</u>	<u>4,014,186</u>
Future income taxes	7,555,499	7,394,131
	<u>10,937,131</u>	<u>11,408,317</u>
Unitholders' equity		
Trust unitholders capital (note 2)	16,919,018	16,754,964
Contributed surplus	51,468	59,442
Undistributed income	11,945,653	12,705,745
	<u>28,916,139</u>	<u>29,520,151</u>
	<u>\$ 39,853,270</u>	<u>\$ 40,928,468</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS & UNDISTRIBUTED INCOME

	Three Months Ended March 31 (unaudited)	
	2005	2004
Revenue		
Net sales	\$ 7,948,540	\$ 8,285,896
Cost of sales	3,164,715	3,201,368
Gross profit	<u>4,783,825</u>	<u>5,084,528</u>
Expenses		
Selling	2,275,352	2,389,789
General and administrative	812,597	951,940
Interest	–	50,882
Amortization	503,810	458,890
	<u>3,591,759</u>	<u>3,851,501</u>
Income before income taxes	1,192,066	1,233,027
Current income tax expense	29,273	27,700
Future income tax expense (recovery)	161,368	(218,124)
	<u>190,641</u>	<u>(190,424)</u>
Net income for the period	<u>1,001,425</u>	<u>1,423,451</u>
Undistributed income, beginning of period	12,705,745	11,610,381
Cash distributions	(1,761,517)	(1,197,075)
Undistributed income, end of period	<u>\$ 11,945,653</u>	<u>\$ 11,836,757</u>
Net income per unit		
Basic	\$0.17	\$0.25
Diluted	\$0.17	\$0.24

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended March 31 (unaudited)	
	2005	2004
Operating Activities		
Net income for the period	\$ 1,001,425	\$ 1,423,451
Items not affecting cash:		
Amortization	503,810	458,890
Future income taxes	161,368	(218,124)
	<u>1,666,603</u>	<u>1,664,217</u>
Net change in non-cash working capital relating to operating activities	(685,167)	53,566
Cash provided by operating activities	<u>981,436</u>	<u>1,717,783</u>
Financing Activities		
Decrease in bank indebtedness	–	(741,633)
Repayment of long-term debt	–	(75,000)
Distribution payments	(1,759,437)	(1,131,922)
Cash received on exercise of options	156,080	745,301
Cash used in financing activities	<u>(1,603,357)</u>	<u>(1,203,254)</u>
Investing Activities		
Purchase of property plant and equipment	(1,192,723)	(543,028)
Deferred charges and other assets	(255)	–
Cash used in investing activities	<u>(1,192,978)</u>	<u>(543,028)</u>
Net decrease in cash	<u>(1,814,899)</u>	<u>(28,499)</u>
Cash and cash equivalents, beginning of period	2,093,695	257,258
Cash and cash equivalents, end of period	<u>\$ 278,796</u>	<u>\$ 228,759</u>

see accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005 (unaudited)

1. These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the audited consolidated financial statements of Big Rock Brewery Income Trust ("Big Rock") as at and for the year ended December 31, 2004. Accounting policies and methods followed in the preparation of these interim consolidated financial statements are the same as those summarized in note 2 to the consolidated financial statements of Big Rock for the year ended December 31, 2004.

2. Issued & Outstanding Trust units	# Units	Amount \$
Balance as at December 31, 2004	5,859,424	16,754,964
Units issued on exercise of options	20,800	156,080
Stock based compensation		7,974
Balance as at March 31, 2005	<u>5,880,224</u>	<u>16,919,018</u>

As at March 31, 2005 there were 192,350 unit options outstanding.

During the quarter there were no options granted and 6,200 options were cancelled.

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

Period covered	Record date	Distribution date	Per Unit
January 1, 2005 - January 31, 2005	January 31	February 15	\$0.10
February 1, 2005 - February 28, 2005	February 28	March 15	\$0.10
March 1, 2005 - March 31, 2005	March 31	April 15	\$0.10

Management's Discussion and Analysis

for three months ended March 31, 2005

The following discussion and analysis should be read in conjunction with the Big Rock Brewery Income Trust ("Big Rock" or the "Trust") unaudited interim consolidated financial statements as at and for the three month period ended March 31, 2005 and the audited consolidated financial statements as at and for the year ended December 31, 2004. The consolidated financial statements of the Trust have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are denominated in Canadian dollars.

Accounting policies and methods followed in the preparation of these interim financial statements are the same as those summarized in note 2 to the consolidated financial statements of the Trust for the year ended December 31, 2004.

Big Rock is a regional producer, marketer, and distributor of bottles, cans and kegs of premium quality specialty beers, also known as craft beers with breweries located in Calgary, Alberta and Kamloops, B.C. Big Rock has sales and distribution facilities at its brewery in Calgary, Alberta as well as in Edmonton, Alberta and has sales representatives resident in British Columbia, Saskatchewan and Manitoba. Big Rock products are available in Ontario, Newfoundland, Nova Scotia and the western United States through third party agents.

Additional information regarding Big Rock Brewery Income Trust including the Trust's Annual Information Form is available on SEDAR at www.sedar.com

Financial Condition:

Big Rock finished what is traditionally the slowest quarter of its fiscal year in strong financial condition. As at March 31, 2005 Big Rock continued to have no bank indebtedness and no long term debt. The strong cash position as at December 31, 2004 was used for the purchase of capital assets, to reduce accounts payable, and for distributions to unitholders. The majority of Big Rock's budgeted capital asset purchases for the year occurred in the first quarter.

At March 31, 2005, accounts receivable increased by \$223,277 (8%) to \$2,981,523 from \$2,758,246 as at December 31, 2004 due primarily to the timing of payment receipt from the provincial liquor boards.

Inventories as at March 31, 2005 decreased by \$155,853 (3%) to \$4,517,800 from \$4,667,950

as at December 31, 2004. The production this quarter of several major private label brands has slowed down the building of inventory for summer compared to last year.

The net book value of capital assets increased by \$688,913 during the quarter ended March 31, 2005 to \$30,586,381 (December 31, 2004 - \$29,897,468). In the quarter ended March 31, 2005, major capital additions were expanding fermenting capacity at the Calgary brewery at a cost of \$795,883, and the purchase of a state of the art can palletizer for \$252,855. Total capital additions in the quarter were \$1,192,723 (quarter ended March 31, 2004 - \$543,028).

Goodwill of \$727,218 (December 31, 2004 - \$727,218) arose from the previous purchase of Bear Brewing Company Ltd. and Whistler Brewing Company Ltd. Management is of the opinion that there has been no impairment of the value of this goodwill during the period based on the results of operations and the outlook for the business.

At March 31, 2005 accounts payable decreased by \$681,944 (21%) to \$2,494,160 from \$3,176,104 as at December 31, 2004. The accounts payable balance is affected by the timing of raw materials inventory purchases.

Income taxes payable increased by \$47,310 during the quarter. The combined effective income tax rate after considering the shelter provided by the trust structure was approximately 17%.

The future income tax liability increased by \$161,368 to \$7,555,499 as at March 31, 2005 from \$7,394,131 as at December 31, 2004. Future income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and the deferral of taxes payable as a result of the Trust's structure.

During the quarter ended March 31, 2005, 20,800 unit options were exercised for proceeds to the Trust of \$156,080.

Results of Operations:

Historically the first quarter is the slowest in the beer industry. In addition, incessant and increasing competition from other brewers and the wine, cooler, and spirits categories requires constant innovation. Despite these factors Big Rock continued to grow its core brands in the quarter.

Sales volume was down by 5% from 44,064 HL for the three months ended March 31, 2004 to 41,825 HL for the three months ended March 31, 2005. This decrease is due primarily to the reduction in sales in the value brand segment caused by 2004 price increases. Our premium high margin brands experienced positive growth during the quarter compared to the same period last year.

For the three months ended March 31, 2005, net sales revenue decreased by \$337,356 from \$8,285,896 last year to \$7,948,540, a 4% decrease. Net revenue per hectoliter increased by \$2 resulting from a beneficial increase in sale of premium beers compared to value beers.

Cost of sales decreased from \$3,201,368 for the three months last year to \$3,164,715 for the three months ending March 31, 2005. This is commensurate with the decrease in sales volume.

Gross profit for the year was down 6% from \$5,084,528 for the three months last year to \$4,783,825 for three months this year due to the decrease in net sales.

Selling expenses for the three months ended March 31, 2005 decreased to \$2,275,352 compared to \$2,389,789 for the three month period last year, a 5% decrease. Selling expenses also include the cost of delivering beer. As the 1st quarter is the slowest for beer sales, selling and marketing program expenditures will increase as the summer season approaches.

During the quarter ended March 31, 2005, general and administrative expenses decreased to \$812,597 from \$951,940 for the three months ending March 31, 2004, a \$139,343 (15%) decrease. The decrease resulted from a reduction of training, insurance, and salary expenses during the quarter compared with the same quarter last year.

Amortization for the three months ended March 31, 2005 increased by \$44,920 (10%) compared to the same period last year due to the increase in capital assets.

Income tax expense for the quarter of \$190,641 (three months ended March 31, 2004 - \$(190,424)) is comprised of \$29,273 in current income tax expense and \$161,368 in future income tax expense.

Net income for the quarter ending March 31, 2005 was \$1,001,425 compared to \$1,423,451 for the three months ended March 31, 2004. Net income per unit decreased to \$0.17 for the three months

ended March 31, 2005 from \$0.25 for the three months ended March 31, 2004. These decreases are largely due to the \$379,492 year-over-year swing in future tax expense.

Cash distributions declared to unitholders for the three months ended March 31, 2005 were \$1,761,517 or \$0.30 per unit. During the same quarter last year the Trust declared total cash distributions of \$0.21 per trust unit amounting to \$1,197,075 in total.

Cash Flows:

Cash provided by operating activities decreased by \$736,347 (43%) to \$981,436 for the three months ended March 31, 2005 from \$1,717,783 in the three months ended March 31, 2004. This decrease reflects the timing of the payment of accounts payable and the collection of accounts receivable at quarter-end.

During the period cash distributions of \$1,759,437 were paid to Unitholders, all of which are taxable in their hands. Cash distributions of \$1,131,922 were paid to Unitholders in the three months ended March 31, 2004. Stock options exercised during the quarter contributed \$156,080 of cash compared to \$745,301 for the three months ended March 31, 2004.

Cash used in investing activities includes the purchase of capital assets of \$1,192,723 (2003 - \$543,028) relating to expansion of the fermentation cellars purchase of new 550HL stainless steel fermentors and the purchase of a can palletizer.

Summary of Quarterly Results:

Quarter Ended	Sales	Net Income	Earnings per unit		Weighted Average Units Outstanding
			Basic	Diluted	
31-Mar-05	\$7,948,540	\$1,001,425	\$0.17	\$0.17	5,871,724
31-Dec-04	\$8,809,353	\$1,267,684	\$0.22	\$0.22	5,850,791
30-Sep-04	\$10,118,479	\$1,861,971	\$0.32	\$0.3	5,821,424
30-Jun-04	\$11,575,836	\$2,213,802	\$0.38	\$0.38	5,753,307
31-Mar-04	\$8,285,896	\$1,423,451	\$0.25	\$0.24	5,700,357
31-Dec-03	\$8,750,762	\$1,242,421	\$0.22	\$0.22	5,562,930
30-Sep-03	\$9,998,160	\$1,770,302	\$0.32	\$0.31	5,559,874
30-Jun-03	\$9,754,918	\$1,543,133	\$0.28	\$0.28	5,550,357

Liquidity and Capital Resources:

Big Rock's working capital (current assets less current liabilities) decreased by \$1,131,812 to \$4,834,070 as at March 31, 2005 from \$5,965,882 as at December 31, 2004.

Each month the Board of Director's sets the cash distribution rate per unit considering the Company's requirements for capital expenditure and debt servicing requirements. It is Management's opinion that Big Rock will continue to be able to meet all of its commitments for capital expenditures, debt servicing, and cash distributions to Unitholders from cash flow generated by operations.

The Company's revolving bank operating line of \$5,000,000 is sufficient to fund operating fluctuations in cash requirements throughout the quarter. At quarter end none of this operating line had been utilized.

Forward-looking Statements:

This discussion and analysis contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Big Rock. Undue reliance should not be placed on these forward-looking statements which are based upon management's assumptions and are subject to known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Big Rock undertakes no obligation to update publicly or revise any forward-looking statements contained herein and such statements are expressly qualified by the cautionary statement.



First Quarter Report

Three Months Ended March 31, 2005

