

CONSOLIDATED BALANCE SHEETS

(unaudited)	30-Jun-05	31-Dec-04
Assets		
Current		
Cash	\$ 503,793	\$ 2,093,695
Accounts receivable	3,488,482	2,758,246
Inventories	4,850,733	4,667,950
Prepaid expenses and other	553,827	427,169
Investments	29,242	33,008
	<u>9,426,077</u>	<u>9,980,068</u>
Property plant and equipment	31,327,293	29,897,468
Deferred charges and other assets	356,985	323,714
Goodwill	727,218	727,218
	<u>\$ 41,837,573</u>	<u>\$ 40,928,468</u>
Liabilities and Unitholders' Equity		
Current		
Bank overdraft	\$ 676,141	\$ -
Accounts payable and accrued liabilities	3,286,053	3,176,104
Income taxes payable	170,545	252,140
Distributions payable	653,375	585,942
	<u>4,786,114</u>	<u>4,014,186</u>
Future income taxes	7,659,748	7,394,131
	<u>12,445,862</u>	<u>11,408,317</u>
Unitholders' equity		
Trust unitholders capital (note 2)	17,403,334	16,754,964
Contributed surplus	300,854	59,442
Undistributed income	11,687,523	12,705,745
	<u>29,391,711</u>	<u>29,520,151</u>
	<u>\$ 41,837,573</u>	<u>\$ 40,928,468</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS & UNDISTRIBUTED INCOME

(unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Revenue				
Net sales	\$ 10,831,294	\$ 11,575,836	\$ 18,779,834	\$ 19,861,732
Cost of sales	3,995,800	4,070,676	7,160,515	7,272,044
Gross profit	<u>6,835,494</u>	<u>7,505,160</u>	<u>11,619,319</u>	<u>12,589,688</u>
Expenses				
Selling	3,318,061	3,271,972	5,593,413	5,661,761
General and administrative	1,087,908	997,239	1,900,505	1,949,178
Interest	1,058	43,439	1,058	94,321
Amortization	522,178	463,819	1,025,988	922,709
	<u>4,929,205</u>	<u>4,776,469</u>	<u>8,520,964</u>	<u>8,627,969</u>
Income before income taxes	1,906,289	2,728,691	3,098,355	3,961,719
Current income tax expense	106,546	27,700	135,819	55,400
Future income tax expense	104,249	487,189	265,617	269,066
	<u>210,795</u>	<u>514,889</u>	<u>401,436</u>	<u>324,466</u>
Net income for the period	<u>1,695,494</u>	<u>2,213,802</u>	<u>2,696,919</u>	<u>3,637,253</u>
Undistributed income, beginning of period	11,945,653	11,836,757	12,705,745	11,610,381
Distributions declared	(1,953,624)	(1,380,794)	(3,715,141)	(2,577,869)
Undistributed income, end of period	<u>\$ 11,687,523</u>	<u>\$12,669,765</u>	<u>\$11,687,523</u>	<u>\$12,669,765</u>
Net income per unit				
Basic	\$0.29	\$0.38	\$0.46	\$0.64
Diluted	\$0.28	\$0.38	\$0.45	\$0.62

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Operating Activities				
Net income for the period	\$ 1,695,494	\$ 2,213,802	\$ 2,696,919	\$ 3,637,253
Items not affecting cash:				
Amortization	522,178	463,819	1,025,988	922,709
Stock based compensation	258,660	35,292	258,660	35,292
Future income taxes	104,249	487,189	265,617	269,066
	<u>2,580,581</u>	<u>3,200,102</u>	<u>4,247,184</u>	<u>4,864,320</u>
Net change in non-cash working capital relating to operating activities	(322,390)	(185,095)	(1,007,557)	(141,003)
Cash provided by operating activities	<u>2,258,191</u>	<u>3,015,007</u>	<u>3,239,627</u>	<u>4,723,317</u>
Financing Activities				
Increase (decrease) in bank indebtedness	676,141	(822,760)	676,141	(1,564,393)
Repayment of long-term debt	-	(651,242)	-	(726,242)
Distribution payments	(1,888,271)	(1,306,748)	(3,647,708)	(2,438,670)
Cash received on exercise of options	475,042	184,344	631,122	929,645
Cash used in financing activities	<u>(737,088)</u>	<u>(2,596,406)</u>	<u>(2,340,445)</u>	<u>(3,799,660)</u>
Investing Activities				
Purchase of plant and equipment	(1,263,090)	(279,047)	(2,455,813)	(822,075)
Deferred charges and other assets	(33,016)	6,783	(33,271)	16,256
Cash used in investing activities	<u>(1,296,106)</u>	<u>(272,264)</u>	<u>(2,489,084)</u>	<u>(805,819)</u>
Net increase (decrease) in cash	<u>224,997</u>	<u>146,337</u>	<u>(1,589,902)</u>	<u>117,838</u>
Cash, beginning of period	278,796	228,759	2,093,695	257,258
Cash, end of period	<u>\$ 503,793</u>	<u>\$ 375,096</u>	<u>\$ 503,793</u>	<u>\$ 375,096</u>

see accompanying notes

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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
Transfer from contributed surplus related to options exercised		7,974
Balance as at March 31, 2005	5,880,224	16,919,018
Units issued on exercise of options	59,550	475,042
Transfer from contributed surplus related to options exercised		9,274
Balance as at March 31, 2005	<u>5,939,774</u>	<u>17,403,334</u>

As at June 30, 2005 there were 492,950 unit options outstanding.

During the quarter there were 359,250 options granted at \$19.07 and 1,900 options were cancelled.

3. Cash distributions 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
April 1, 2005 - April 30, 2005	April 29	May 16	\$0.11
May 1, 2005 - May 31, 2005	May 31	June 15	\$0.11
June 1, 2005 - June 30, 2005	June 30	July 15	\$0.11

4. Kamloops Brewery

On June 6, 2005, Big Rock announced that it had engaged independent professional advisors to provide counsel on strategic alternatives for the Trust's Whistler Brewery operations in Kamloops, British Columbia and to assist in an auction process for these assets. The Kamloops brewery currently produces 7,300 hectolitres of beer and coolers annually. At June 30, 2005 the net book value of Big Rock's investment in the Kamloops brewery land, buildings and equipment was \$2,700,000. Management expects that if and when a transaction occurs it will not have a material impact on net income.

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 and six month periods ended June 30, 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 Principals ("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, and Nova Scotia through third party agents.

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

Financial Condition:

At June 30, 2005, accounts receivable increased by \$730,236 (26%) to \$3,488,482 from \$2,758,246 as at December 31, 2004 due primarily to the increase in volume of sales during the summer season.

Inventories as at June 30, 2005 increased by \$182,783 (4%) to \$4,850,733 from \$4,667,950 as at December 31, 2004. Larger inventories are required to meet the increased demand during the summer.

During the quarter ended June 30, 2005 Big Rock purchased capital assets in the amount of \$1,263,090 increasing net book value of capital assets to \$31,327,293. (December 31, 2004 - \$29,897,468). In the quarter ended June 30, 2005, major capital expenditures were made to purchase tanks, a labeller which allows Big Rock to add wrap around neck labels and back labels to bottles producing a more premium look, additional kegs, vehicles for sales representatives, and upgrades to Big Rock's hospitality room used for promotional events. The hospitality room, which features state-of-the-art beer dispensing equipment, provides an excellent venue for "Big Rock University" (BRU) classes. Here Big Rock customers learn about the unique features of Big Rock beers and their proper care and handling.

During the quarter the Board of Directors approved the retention of Lightyear Capital Inc. to solicit offers to purchase the Kamloops Brewery as a going concern. As the tax regime in British Columbia now benefits only resident small brewers, Management considers these to be redundant assets which are not contributing to unitholder value. Letters of interest have been received from several parties and the successful bidder will be selected in the near future. Management expects the sale of these assets to maximize unitholder value.

At June 30, 2005 accounts payable increased by \$109,949 (3%) to \$3,286,053 from \$3,176,104 as at December 31, 2004. The increase reflects the increased production activity arising from summer demand for Big Rock products.

Income taxes payable decreased by \$81,595 to \$170,545 during the quarter from \$252,140 at December 31, 2004. The combined effective income tax rate after considering the shelter provided by the trust structure was approximately 11% in the quarter.

The provision for future income taxes increased by \$265,617 to \$7,659,748 as at June 30, 2005 from \$7,394,131 as at December 31, 2004 (\$104,249 in the quarter). 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 June 30, 2005, 59,550 unit options were exercised for proceeds to the Trust of \$475,042.

Contributed surplus of \$300,854 relates to stock based compensation. During the quarter 359,250 unit options which vest immediately were granted to employees as provided by revisions to the unit option plan approved by Unitholders at the annual meeting on April 29th, 2005. Accounting standards require that the full value of these options, as calculated using the Black-Scholes option pricing model, be recorded as compensation expense on the date of the grant. This option award resulted in stock based compensation expense of \$258,660. This is a non-cash item offset by an increase in Unitholders equity (contributed surplus).

Results of Operations:

To celebrate Big Rock's 20th anniversary this year new designs were rolled out in June for all premium brand packaging. This new branding combines the original label artwork for which Big Rock is well known with a fresh unifying design. We expect that this beautiful new look will promote increased product trial by consumers.

The second quarter marks the start of the annual "beer season". Despite a very cool and very wet spring in Alberta, Big Rock's major market experienced an 11% volume growth during the quarter ended June 30, 2005 compared to the same quarter last year. This was due primarily to an increase in private labels produced by Big Rock. Volume in British Columbia, Big Rock's second largest market, was down significantly from the same quarter last year due to inclement spring weather and the repositioning of Big Rock's value brands at higher price levels. Overall sales volume was down by 1% (795 HL) from 57,050 HL for the three months ended June 30, 2004 to 56,256 HL for the three months ended June 30, 2005. Year-to-date volume year-over-year was down 3% from 101,114 HL to 98,081 HL.

For the three months ended June 30, 2005, net sales revenue decreased by \$744,542 from \$11,575,836 last year to \$10,831,294, a 6% decrease. The volume decrease together with a changing sales mix towards value and private label sales comprise this decrease. Net revenue per hectoliter decreased by \$10 resulting from the changing sales mix and competitive pricing. The industry wide growth of the value priced beer segment has been significant this year. Big Rock is well positioned to aggressively compete in this segment however average revenue per hectoliter will fall as the proportion of Big Rock's value priced brands grows. Year-to-date net revenue declined from \$19,861,732 to \$18,779,834 a \$1,081,898 (5%) decrease.

The introduction of a limited edition centennial pack which celebrates the centenaries of Alberta and Saskatchewan and features Big Rock's premium beers was well received during the quarter.

Cost of sales decreased from \$4,070,676 for the three months last year to \$3,995,800 (2%) for the three months ending June 30, 2005. This is commensurate with the decrease in sales volume. Year-to-date cost of sales is down by \$111,529 (2%) from \$7,272,044 to \$7,160,515.

Gross profit for the quarter was down by \$669,666 (9%) from \$7,505,160 for the three months last year to \$6,835,494 for three months this year due to the decrease in net sales and the proportional growth in sales of lower margin beers. Year-to-date gross profit is down \$970,369 from \$12,589,688 last year to \$11,619,319 this year.

Selling expenses for the three months ended June 30, 2005 increased to \$3,318,061 compared to \$3,271,972 for the three month period last year, a 1% increase. Selling expenses also include the cost of delivering beer. As lower margin beer sales grow, applicable promotional and selling expenses should

decrease as value brand sales are primarily price driven. Management is scrutinizing and adjusting marketing and sales budgets accordingly. Selling expenses this quarter include a major new initiative promoting Grasshopper Wheat Ale as the "local import" in Alberta. This campaign includes billboard, print, restobar displays, and radio ads. Management will assess the results of the campaign as guidance for future promotional activity planning. Any benefit from this current marketing spend this quarter will impact sales in the next quarter. Year-to-date selling expenses are down \$68,348 (1%) from \$5,661,761 last year to \$5,593,413 this year.

During the quarter ended June 30, 2005, general and administrative expenses increased to \$1,087,908 from \$997,239 for the three months ending June 30, 2004, a \$90,669 (9%) increase. \$137,880 of the \$258,660 stock based compensation expense was charged to general and administrative expenses this quarter. Year-to-date general and administrative expense is down by \$48,673 to \$1,900,505 from \$1,949,178 for the same period last year due to a reduction in insurance, training, and salary expense.

Amortization for the three months ended June 30, 2005 increased by \$58,359 (13%) to \$522,178 compared to \$463,819 for the same period last year due to the increase in capital assets. Year-to-date amortization increased by \$103,279 to \$1,025,988 from \$922,709 last year resulting from asset additions including 550 HL fermentation tanks, expansion of the fermentation cellar, a new can palletizer, a bottle labeller, new kegs and new vehicles.

Income tax expense for the quarter of \$210,795 (three months ended June 30, 2004 - \$514,889) is comprised of \$106,546 in current income tax expense and \$104,249 in future income tax expense. Year-to-date income tax expense was \$401,436 compared to \$324,466 for the same period last year.

Net income for the quarter ending June 30, 2005 was \$1,695,494 compared to \$2,213,802 for the three months ended June 30, 2004. The decrease is largely due to the reduction in net revenue caused by a changing sales mix year-over-year and a \$258,660 stock compensation charge this quarter. Year-to-date net income is down by \$940,334 (25%) from \$3,637,253 last year to \$2,696,919 this year.

Net income per unit decreased to \$0.29 for the three months ended June 30, 2005 from \$0.38 for the three months ended June 30, 2004. Year-to-date net income per unit decreased to \$0.46 for the six months ended June 30, 2005 from \$0.64 for the six months ended June 30, 2004.

Cash distributions declared to unitholders for the three months ended June 30, 2005 were \$1,953,624 or \$0.33 per unit. During the same quarter last year the Trust declared total cash distributions of \$0.24 per trust unit amounting to \$1,380,794 in total. In April the monthly distribution was increased from \$0.10/unit to \$0.11/unit.

Cash Flows:

Cash provided by operating activities decreased by \$756,816 (25%) to \$2,258,191 for the three months ended June 30, 2005 from \$3,015,007 in the three months ended June 30, 2004. Year-to-date cash provided by operating activities decreased by \$1,483,690 (31%) to \$3,239,627 for the six months ended June 30, 2005 from \$4,723,317 in the six months ended June 30. This decrease reflects the timing of the payment of accounts payable and the collection of accounts receivable at quarter-end. Stock based compensation of \$258,660 is included as a non-cash item in the quarter ended June 30, 2005.

During the period cash distributions of \$1,888,271 were paid to Unitholders, all of which are taxable in their hands. Cash distributions of \$1,306,748 were paid to Unitholders in the three months ended June 30, 2004. Year-to-date cash distributions paid were \$3,647,708 compared to \$2,438,670 for the same period last year. Unit options exercised during the quarter contributed \$475,042 of cash compared to \$184,344 for the three months ended June 30, 2004. Year-to-date unit options exercised provided \$631,122 in cash compared to \$929,645 last year.

Cash used in investing activities includes the purchase of capital assets of \$1,263,090 (2004 - \$279,047) relating to purchase of tanks, a new bottle labeller, additional kegs, vehicles for sales representatives, and the major renovation of Big Rock's hospitality room. Year-to-date capital asset purchases required cash expenditures of \$2,455,813 (2004 - \$822,075).

Summary of Quarterly Results:

Quarter Ended	Net Sales	Net Income	Earnings per unit		Weighted Average Units Outstanding
			Basic	Diluted	
30-Jun-05	\$10,831,294	\$1,695,494	\$0.29	\$0.28	5,920,074
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	\$0.31	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

Liquidity and Capital Resources:

Big Rock's working capital (current assets less current liabilities) decreased by \$1,325,919 to \$4,639,963 as at June 30, 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 Big Rock'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.

Big Rock's revolving bank operating line of \$5,000,000 is sufficient to fund operating fluctuations in cash requirements. 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.

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Second Quarter Report

Three Months Ended June 30, 2005

