



Third Quarter Report

Three and Nine Month Periods Ended September 30, 2005



BIG ROCK BREWERY INCOME TRUST

Management's Discussion and Analysis

for the three and nine month periods ended September 30, 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 and nine month periods ended September 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 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, and Nova Scotia through third party agents. As explained further below, on October 12, 2005 Big Rock sold its Kamloops brewery and related assets.

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

Financial Condition:

Big Rock's balance sheet remains strong. The Trust continued to operate using internally generated cash flow during the quarter and has not had to assume any long-term debt. After paying out cash distributions of \$1,963,447 Unitholders' equity increased by \$444,239 during the quarter ended September 30, 2005.

At September 30, 2005, accounts receivable decreased by \$274,942 (10%) to \$2,483,304 from \$2,758,246 as at December 31, 2004 due primarily to the timing of payments from the government liquor authorities.

Inventories as at September 30, 2005 increased by \$209,175 (4%) to \$4,877,125 from \$4,667,950 as at December 31, 2004. Inventories at this time of year are typically larger than at year-end. Ramped up production for the Winter variety pack and the Christmas gift pack late in the quarter also contributed

to the higher inventory levels at September 30. Approximately \$1.1 million of inventory was monetized in October through the sale of the Kamloops brewery and related assets.

During the quarter ended September 30, 2005 Big Rock added property, plant and equipment of \$449,679 resulting in net book value of \$28,521,357. (December 31, 2004 - \$29,897,468). In the quarter ended September 30, 2005, major capital expenditures were made to purchase bright beer tanks and to provide a deposit on a new 200 HL brew kettle.

Assets held for sale of \$3,454,000 have been segregated from property, plant and equipment and goodwill and classified as current assets at September 30, 2005. These assets represent the Kamloops brewery assets which were sold on October 12, 2005 with proceeds received on that date.

At September 30, 2005 accounts payable decreased by \$897,448 (28%) to \$2,278,656 from \$3,176,104 as at December 31, 2004. The change is due primarily to the timing of raw materials purchases.

Income taxes payable increased by \$145,868 to \$398,008 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 \$322,049 to \$7,716,180 as at September 30, 2005 from \$7,394,131 as at December 31, 2004 (\$56,432 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 September 30, 2005, 25,200 unit options were exercised for proceeds to the Trust of \$186,391.

Contributed surplus of \$296,209 relates to stock based compensation. 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 is a non-cash item offset by an increase in Unitholders equity (contributed surplus). During the quarter ended September 30, 2005 no unit options were granted.

Kamloops Brewery Sale:

Soon after Big Rock purchased the Kamloops Brewery in 2002 the B.C. Liquor authority revised the provincial markup structure effectively negating any advantage to Big Rock of producing its products in the province of British Columbia.

Big Rock continued to operate the Brewery producing mainly private label draft beers for three restaurant chains as well as Rock Creek Cider, Joe Stiff's vodka based beverages and a small amount of Whistler brand beers. Though production was maintained over the past three years, it became apparent that these assets were redundant as production could be handled more efficiently in Calgary. Accordingly, the Board of Directors determined that it was in the best interests of the Unitholders to sell the Kamloops assets. Big Rock retained the Rock Creek Cider brand and moved that production to the Calgary brewery.

On October 12, 2005, subsequent to quarter-end, Big Rock sold the Kamloops brewery and related assets to a British Columbia based arm's length private investor group for cash proceeds of \$4,970,000. The book value of the Kamloops assets sold was \$4,547,000. After selling expenses and professional fees totalling \$240,000 and income tax arising from the transaction of approximately \$144,000 the sale will not have a material effect on fourth quarter earnings.

Results of Operations:

Rain and cool weather in western Canada throughout the quarter put a damper on outdoor activities in Big Rock's major markets in comparison to the long hot summer that eastern Canada experienced. Even so, Big Rock's sales force achieved an all-time quarterly sales record as summer product volume increased by 30% to 62,740 HL for the three months ended September 30, 2005 from 48,128 HL for the same period last year. The majority of the volume increase is attributable to new business in value and private label brands however Big Rock's proprietary premium brand volume was up by 4% quarter over quarter. Year-to-date volumes are up 8% to 160,820 HL from 149,242 HL.

The following table summarizes the results of operations :

	Three months ended September 30				Nine months ended September 30			
	2005	2004	Incr (Decr)	%	2005	2004	Incr (Decr)	%
Revenue								
Net sales	\$11,776,035	\$10,118,479	\$1,657,556	16%	\$30,555,869	\$29,980,211	\$575,658	2%
Cost of sales	4,428,841	3,454,347	\$974,494	28%	11,589,356	10,726,391	\$862,965	8%
Gross Profit	<u>7,347,194</u>	<u>6,664,132</u>	<u>\$683,062</u>	<u>10%</u>	<u>18,966,513</u>	<u>19,253,820</u>	<u>(\$287,307)</u>	<u>-1%</u>
Expenses								
Selling	3,416,764	2,833,481	\$583,283	21%	9,010,177	8,495,242	\$514,935	6%
General and administrative	888,850	973,044	(\$84,194)	-9%	2,789,355	2,922,222	(\$132,867)	-5%
Interest	-	23,234	(\$23,234)	-100%	1,058	117,555	(\$117,555)	-100%
Amortization	528,833	468,494	\$60,339	13%	1,554,821	1,391,203	\$163,618	12%
	<u>4,834,447</u>	<u>4,298,253</u>	<u>\$536,194</u>	<u>12%</u>	<u>13,355,411</u>	<u>12,926,222</u>	<u>\$429,189</u>	<u>3%</u>
Income before income taxes	<u>2,512,747</u>	<u>2,365,879</u>	<u>\$146,868</u>	<u>6%</u>	<u>5,611,102</u>	<u>6,327,598</u>	<u>(\$716,496)</u>	<u>-11%</u>
Income taxes								
Current	232,248	149,569	\$82,679	55%	368,067	204,969	\$163,098	80%
Future	56,432	354,339	(\$297,907)	-84%	322,049	623,405	(\$301,356)	-48%
	<u>288,680</u>	<u>503,908</u>	<u>(\$215,228)</u>	<u>-43%</u>	<u>690,116</u>	<u>828,374</u>	<u>(\$138,258)</u>	<u>-17%</u>
Net Income for the period	<u>2,224,067</u>	<u>1,861,971</u>	<u>\$362,096</u>	<u>19%</u>	<u>4,920,986</u>	<u>5,499,224</u>	<u>(\$578,238)</u>	<u>-11%</u>
Undistributed income, beginning of period	11,687,523	12,669,765			12,705,745	11,610,381		
Distributions declared	<u>(1,966,219)</u>	<u>(1,455,367)</u>	<u>\$510,852</u>	<u>35%</u>	<u>(5,681,360)</u>	<u>(4,033,236)</u>	<u>\$1,648,124</u>	<u>41%</u>
Undistributed income, end of period	<u>\$11,945,371</u>	<u>\$13,076,369</u>	<u>(\$1,130,998)</u>	<u>-9%</u>	<u>\$11,945,371</u>	<u>\$13,076,369</u>	<u>(\$1,130,998)</u>	<u>-9%</u>
Net Income per unit								
Basic	\$0.37	\$0.32	\$0.05	17%	\$0.83	\$0.95	(\$0.12)	-12%
Diluted	\$0.37	\$0.31	\$0.06	19%	\$0.83	\$0.94	(\$0.11)	-12%

For the three months ended September 30, 2005, net sales revenue increased by \$1,657,556 from \$10,118,479 last year to \$11,776,035, a 16% increase. Consistent with trends reported by other brewers, Big Rock continued to experience a shifting sales mix as value brands grew at a faster rate than premium proprietary brands. This has resulted in lower revenue per hectoliter. Year-to-date net sales revenue decreased by \$11 per HL from \$201 to \$190. Big Rock continues to be well positioned to aggressively compete in all market segments as the brewery can add significant capacity at a relatively low cost. Year-to-date net revenue increased to \$30,555,869 from \$29,980,211 a \$575,658 (2%) increase.

Commensurate with the large volume increase, cost of sales increased by \$974,494 (28%) to \$4,428,841 for the three months ended September 30, 2005 from \$3,454,347 last year. Year-to-date cost of sales is up by \$862,965 (8%) to \$11,589,356 for the nine months ended September 30, 2005 from \$10,726,391 for the same period last year. Big Rock's sale of canned beer has been increasing as a proportion of packaged beer sales. This is positive as the production costs of canned beer are lower than bottled beer due to Big Rock's highly automated can line. This has resulted in a relatively consistent cost of sales per hectoliter even though many other input costs have been increasing.

Gross profit for the quarter rose 10% to \$7,347,194 this quarter from \$6,664,132 for the same three months last year. Year-to-date gross profit is down \$287,307 (1%) from \$19,253,820 last year to \$18,966,513 this year. The quarterly increase is largely due to volume increase while the year-to-date decrease is primarily due to the changing sales mix resulting from the growing popularity of lower margin brands.

Selling expenses for the three months ended September 30, 2005 increased to \$3,416,764 compared to \$2,833,481 for the three month period last year, a 21% increase. Delivery costs which are included as selling expenses increased by 27% from \$876,944 last year to \$1,110,310 for the three months ended September 30, 2005. Increased delivery expenses correlate with the increase in sales volume. Excluding delivery costs, selling expenses were up by \$349,917(18%) quarter over quarter. Year-to-date selling expenses are up \$514,935 (6%) from \$8,495,242 last year to \$9,010,177 this year. Increased expenditures on the summer Grasshopper campaign which featured billboards and radio advertising accounted for the majority of this increase. This campaign yielded positive growth for the brand during the quarter.

During the quarter ended September 30, 2005, general and administrative expenses decreased to \$888,850 from \$973,044 for the three months ending September 30, 2004, a \$84,194 (9%) decrease. Year-to-date general and administrative expense was down by

\$132,867 (5%) to \$2,789,355 from \$2,922,222 for the same period last year. Big Rock invested in a comprehensive staff training initiative during the quarter last year.

Amortization for the three months ended September 30, 2005 increased by \$60,339 (13%) to \$528,833 compared to \$468,494 for the same period last year due to the increase in capital assets. Year-to-date amortization increased by \$163,618 to \$1,554,821 from \$1,391,203 last year resulting from asset additions including fermentation and bright beer tanks, expansion of the fermentation cellar, an automated palletizer, a bottle labeler allowing for back labels on bottles, new kegs and new vehicles.

Income tax expense for the quarter of \$288,680 (three months ended September 30, 2004 - \$503,908) is comprised of \$232,248 in current income tax expense and \$56,432 in future income tax expense. Year-to-date income tax expense was \$690,116 compared to \$828,374 for the nine months last year.

Net income for the quarter ending September 30, 2005 was \$2,224,067 compared to \$1,861,971 for the three months ended September 30, 2004. This \$362,096 (19%) increase is largely due to increased sales volume and the reduction in provision for future income tax. Year-to-date net income is down by \$578,238 (11%) from \$5,499,224 last year to \$4,920,986 this year due to the growth of lower margin value brands and a non-cash stock based compensation charge of \$258,660 booked in the second quarter which was \$223,368 higher than the comparable change in 2004.

Net income per unit increased to \$0.37 for the three months ended September 30, 2005 from \$0.32 for the three months ended September 30, 2004. Year-to-date net income per unit decreased to \$0.83 for the nine months ended September 30, 2005 from \$0.95 for the nine months ended September 30, 2004.

Cash distributions declared to unitholders for the three months ended September 30, 2005 were \$1,966,219 or \$0.33 per unit. During the same quarter last year the Trust declared total cash distributions of \$0.25 per trust unit amounting to \$1,455,367 in total.

Cash Flows:

During the quarter ended September 30, 2005, Big Rock generated cash from operating activities of \$3,174,508 of which 62% (\$1,963,447) was paid out in cash distributions to Unitholders. During the same quarter last year Big Rock generated cash from operating activities of \$4,711,739 and paid out \$1,391,750 (30%) in cash distributions to Unitholders. Year-to-date Big Rock has distributed 87% (\$5,611,155) of cash provided by operating activities of \$6,414,135. Year-to-date last year Big Rock distributed 41% (\$3,830,420) of cash provided by operating activities of \$9,435,056.

The decrease in year-to-date cash flow from operations reflects the timing of the payment of accounts payable and the collection of accounts receivable at quarter-end as well as the effect of reduced earnings in 2005.

Year-to-date unit options exercised provided \$817,513 in cash compared to \$1,432,020 last year.

Cash used in investing activities includes the purchase of capital assets of \$449,679 (2004 - \$425,621) relating primarily to the purchase of bright beer tanks and a deposit on an additional brew kettle. Year-to-date capital asset purchases required cash expenditures of \$2,905,492 (2004 - \$1,247,696).

Summary of Quarterly Results:

Quarter Ended	Net Sales	Net Income	Earnings per unit		Weighted Average Units Outstanding
			Basic	Diluted	
30-Sep-05	\$11,776,035	\$2,224,067	\$0.37	\$0.37	5,958,241
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

Liquidity and Capital Resources:

Big Rock's working capital (current assets less current liabilities) increased by \$2,701,363 to \$8,667,245 as at September 30, 2005 from \$5,965,882 as at December 31, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

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, if any. 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.

CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i>	30-Sep-05	31-Dec-04
Assets		
Current		
Cash	\$ 768,882	\$ 2,093,695
Accounts receivable	2,483,304	2,758,246
Inventories	4,877,125	4,667,950
Prepaid expenses and other	389,067	427,169
Investments	27,678	33,008
Brewery assets held for sale (note 4)	3,454,000	—
	<u>12,000,056</u>	<u>9,980,068</u>
Property, plant and equipment	28,521,357	29,897,468
Deferred charges and other assets	363,528	323,714
Goodwill	—	727,218
	<u>\$40,884,941</u>	<u>\$40,928,468</u>
Liabilities and Unitholders' Equity		
Current		
Accounts payable and accrued liabilities	2,278,656	3,176,104
Income taxes payable	398,008	252,140
Distributions payable	656,147	585,942
	<u>3,332,811</u>	<u>4,014,186</u>
Future income taxes	7,716,180	7,394,131
	<u>11,048,991</u>	<u>11,408,317</u>
Unitholders' equity		
Trust Unitholders' capital (note 2)	17,594,370	16,754,964
Contributed surplus	296,209	59,442
Undistributed income	11,945,371	12,705,745
	<u>29,835,950</u>	<u>29,520,151</u>
	<u>\$40,884,941</u>	<u>\$40,928,468</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<i>(unaudited)</i>				
Operating Activities				
Net income for the period	\$2,224,067	\$1,861,971	\$4,920,986	\$5,499,224
Items not affecting cash:				
Amortization	528,833	468,494	1,554,821	1,391,203
Stock based compensation	—	—	258,660	35,292
Future income taxes	56,432	354,339	322,049	623,405
	2,809,332	2,684,804	7,056,516	7,549,124
Net change in non-cash working capital relating to operating activities	365,176	2,026,935	(642,381)	1,885,932
Cash provided by operating activities	3,174,508	4,711,739	6,414,135	9,435,056
Financing Activities				
Increase (decrease) in bank indebtedness	(172,348)	260,000	—	(1,304,393)
Repayment of long-term debt	—	(1,575,000)	—	(2,301,242)
Distribution payments	(1,963,447)	(1,391,750)	(5,611,155)	(3,830,420)
Cash received on exercise of options	186,391	502,375	817,513	1,432,020
Cash used in financing activities	(1,949,404)	(2,204,375)	(4,793,642)	(6,004,035)
Investing Activities				
Purchase of plant and equipment	(449,679)	(425,621)	(2,905,492)	(1,247,696)
Deferred charges and other assets	(6,543)	6,784	(39,814)	23,040
Cash used in investing activities	(456,222)	(418,837)	(2,945,306)	(1,224,656)
Net increase (decrease) in cash	768,882	2,088,527	(1,324,813)	2,206,365
Cash, beginning of period	—	375,096	2,093,695	257,258
Cash, end of period	\$768,882	\$2,463,623	\$768,882	\$2,463,623

see accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS & UNDISTRIBUTED INCOME

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<i>(unaudited)</i>				
Revenue				
Net sales	\$11,776,035	\$10,118,479	\$30,555,869	\$29,980,211
Cost of sales	4,428,841	3,454,347	11,589,356	10,726,391
Gross profit	7,347,194	6,664,132	18,966,513	19,253,820
Expenses				
Selling	3,416,764	2,833,481	9,010,177	8,495,242
General and administrative	888,850	973,044	2,789,355	2,922,222
Interest	—	23,234	1,058	117,555
Amortization	528,833	468,494	1,554,821	1,391,203
	4,834,447	4,298,253	13,355,411	12,926,222
Income before income taxes	2,512,747	2,365,879	5,611,102	6,327,598
Income taxes				
Current	232,248	149,569	368,067	204,969
Future	56,432	354,339	322,049	623,405
	288,680	503,908	690,116	828,374
Net income for the period	2,224,067	1,861,971	4,920,986	5,499,224
Undistributed income, beginning of period	11,687,523	12,669,765	12,705,745	11,610,381
Distributions declared	(1,966,219)	(1,455,367)	(5,681,360)	(4,033,236)
Undistributed income, end of period	\$11,945,371	\$13,076,369	\$11,945,371	\$13,076,369
Net income per unit				
Basic	\$0.37	\$0.32	\$0.83	\$0.95
Diluted	\$0.37	\$0.31	\$0.83	\$0.94

see accompanying notes

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

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 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 June 30, 2005	5,939,774	17,403,334
Units issued on exercise of options	25,200	186,391
Transfer from contributed surplus related to options exercised		4,645
Balance as at September 30, 2005	<u>5,964,974</u>	<u>17,594,370</u>

As at September 30, 2005 there were 467,150 unit options outstanding.

During the quarter no options were granted and 600 options were cancelled.

As at November 10, 2005 there were 5,964,974 trust units outstanding.

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
July 1, 2005 - July 31, 2005	July 29	August 15	\$0.11
August 1, 2005 - August 31, 2005	August 31	September 15	\$0.11
September 1, 2005 - September 30, 2005	September 30	October 14	\$0.11

4. Kamloops Brewery

On October 12, 2005, subsequent to quarter-end, Big Rock sold its Kamloops, British Columbia brewery and related assets to a British Columbia based arm's length private investor group for cash proceeds of \$4,970,000. At September 30, 2005 these assets were comprised of land and building having a net book value of \$1,852,000, production equipment with a net book value of \$875,000, goodwill related to the brewery and its brands of \$727,000 and inventory of \$1,093,000. After costs of \$240,000 related to the transaction and income taxes of \$144,000 the sale will not have a material effect on Big Rock's fourth quarter earnings. As proceeds on sale were received in October, related property, plant and equipment and goodwill were reflected as current assets held for sale on the September 30, 2005 balance sheet.