

THE BIG ROCK FAMILY

TRADITIONAL
ALE

Big Rock's original. A traditional English-style amber ale with a soft but distinctive taste.

Grasshopper
WHEAT ALE

A unique wheat ale that is easy to drink and exceptionally refreshing. Influenced by Germany's Kristall Weizen, Grasshopper is delicately hopped and delivers a smooth, bright finish.

WARTHOG CREAM ALE

A smooth ale with a clean, pure and refreshing taste. A thirst quenching beastly brew, for everyone to enjoy.

McNALLY'S
EXTRA
ALE

Our famous hearty brew of Irish descent with 7% alcohol content. "As good an Irish ale as can be found anywhere" Michael Jackson's The New World Guide to Beer.

ALBERTA
GENUINE
DRAFT

Alberta Genuine Draft is brewed using only 100% Alberta grown barley malt, select hops, Rocky Mountain water and special lager yeast. It has a crisp, clean, thirst quenching flavour with no after-taste.

PALE
India Pale Ale

Our dry-hopped, fermenter conditioned India Pale Ale is brewed in the traditional IPA method. The result is an exceptionally well balanced, flavourful ale; refined and subtle.

BLACK
AMBER
ALE

Our dark Alberta stout is a hearty, full-flavoured, rich, rewarding, soul- uplifting beer that is deeply satisfying. Made with dark roasted imported and domestic malts.

McNALLY'S
RESERVE

Soft, creamy and as dry as Irish humor, this refreshing mild stout has hints of espresso, licorice and black pepper. The beer is dark in colour with a dense head of pillowy foam, a creamy body and a rich roasted dryness in the finish.

KÖLD
ALL NATURAL bigRock

A single malt lager made from glacial spring water, choice hops and our own lager yeast. The result is an unusually clean, crisp beer with no bitter aftertaste.

HONEY
BROWN

Big Rock Honey Brown is an exceptionally smooth and mellow beer with a subtle hint of sweet honey. This medium bodied, golden-brown lager is made with Alberta Clover Honey and aged longer to produce a rich creamy head and a clean aftertaste. This product is available in Alberta and B.C.

PRINTED IN CANADA
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REPORT TO SHAREHOLDERS

Big Rock Brewery, one of North America's leading specialty brewers, is pleased to announce its results for the third quarter ended December 31, 2002.

Gross sales revenue increased to \$9,246,750 this quarter from \$7,519,658 in the same quarter last year, a 23% increase.

In terms of volume, hectoliters sold increased to 35,308 from 27,669 the previous year, a 28% increase.

Revenue net of government taxes and commissions increased to \$7,200,818 from \$5,323,974 last year, a 35% increase.

The reorganization of Big Rock into a Trust resulted in a one time charge of \$728,890 to current period earnings.

Thus EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter was down 32% to \$698,960 from last year EBITDA of \$1,022,239 and net income for the quarter was \$27,074 down from \$344,872 last year.

At quarter-end the Company had utilized \$527,886 (2001 – \$479,924) of its \$3,000,000 bank operating line of credit. This credit facility bears interest at Royal Bank prime rate.

The Company's long-term debt facility with the Royal Bank of Canada, was paid down by \$462,288 during the quarter to \$1,817,247.

On January 10, 2003 Big Rock Brewery Ltd. was reorganized into Big Rock Brewery Income Trust pursuant to a plan of arrangement. The Trust, indirectly through its operating entities, operates Big Rock's premium brewing business and all of the former securityholders of Big Rock now hold all of the outstanding trust units of the Trust. 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 unitholder meetings.

Under the terms of the Arrangement, shareholders of Big Rock received one trust unit of the Trust for every common share held. The reorganization of Big Rock into

an income trust is the culmination of a process initiated by Big Rock's Board of Directors to explore alternatives for Big Rock to provide regular cash distributions to its shareholders while maintaining the ability to pursue growth opportunities. After reviewing projected revenues, profits and capital expenditure requirements for 2003, the Board of Big Rock has approved a monthly distribution of \$0.06 per unit. The Board believes that Big Rock will be able to sustain this payout schedule during 2003 while retaining sufficient funds for normal budgeted expenditures as well as a reasonable reserve to cover unanticipated funding requirements.

The trust units of the Trust commenced trading on the Toronto Stock Exchange under the symbol "BR.UN" on January 15, 2003.

To be consistent with other income trusts, the fiscal year end of the Trust will be December 31 instead of March 31 as previously reported by Big Rock Brewery Ltd. Financial results for the period after the effective date of the plan of arrangement will follow the continuity of interest basis of accounting as if Big Rock had always been an income trust.

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

Cheers!

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

CONSOLIDATED BALANCE SHEETS

(Canadian \$)	31-Dec-02 (unaudited)	31-Mar-02 (audited)
ASSETS		
CURRENT		
Cash & cash equivalents	\$ 483,975	\$ 1,016,158
Accounts receivable	2,485,805	2,116,325
Inventories	3,362,188	2,896,052
Prepaid expenses & other	586,957	417,445
Investments	60,418	46,365
	6,979,343	6,492,345
Capital assets	27,888,994	25,872,488
Investment in Bear View Developers Ltd.	–	227,222
Deferred charges	263,917	216,806
Goodwill	727,218	251,830
TOTAL ASSETS	\$35,859,472	\$33,060,691
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ 527,886	\$ 1,857,882
Accounts payable and accrued liabilities	2,264,687	1,334,322
Income tax payable	609,672	468,894
Current portion of long-term debt	1,696,784	1,696,784
	5,099,029	5,357,882
Long-term debt	981,963	1,502,275
Future income taxes	4,717,997	4,416,400
TOTAL LIABILITIES	10,798,989	11,276,557
SHAREHOLDERS' EQUITY		
Share capital <i>[note 4]</i>	14,654,451	13,131,991
Retained earnings	10,406,032	8,652,143
TOTAL SHAREHOLDERS' EQUITY	25,060,483	21,784,134
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$35,859,472	\$33,060,691

CONSOLIDATED STATEMENTS OF OPERATIONS & RETAINED EARNINGS

(Canadian \$)	Nine Months Ended December 31 (unaudited)		Three Months Ended December 31 (unaudited)	
	2002	2001	2002	2001
REVENUE				
Sales	\$30,850,205	\$27,244,309	\$ 9,246,750	\$ 7,519,658
Government taxes and commissions	6,936,679	7,419,734	2,045,932	2,195,684
	23,913,526	19,824,575	7,200,818	5,323,974
Cost of sales	9,181,501	7,825,082	2,572,205	2,078,943
GROSS PROFIT	14,732,025	11,999,493	4,628,613	3,245,031
EXPENSES				
Selling	7,413,622	6,787,718	2,394,639	1,687,531
General & administrative	2,199,432	1,520,455	806,124	535,261
Reorganization costs <i>[note 5]</i>	728,890	728,890	728,890	–
Interest	203,643	258,763	61,946	65,446
Amortization	1,232,549	971,122	430,287	331,469
	11,778,136	9,538,058	4,421,886	2,619,707
INCOME BEFORE INCOME TAXES	2,953,889	2,461,435	206,727	625,324
Current income tax expense	1,121,403	282,700	172,891	84,136
Future income tax expense	78,597	659,632	6,762	196,316
	1,200,000	942,332	179,653	280,452
Net income for the period	1,753,889	1,519,103	27,074	344,872
Retained earnings, beginning of period	8,652,143	7,484,082	10,378,958	8,608,588
Redemption of common shares	–	(49,725)	–	–
RETAINED EARNINGS, END OF PERIOD	\$10,406,032	\$ 8,953,460	\$10,406,032	\$ 8,953,460
NET INCOME PER SHARE				
Basic and diluted	\$0.33	\$0.29	\$0.00	\$0.07

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian \$)	Nine Months Ended December 31	
	(unaudited) 2002	(unaudited) 2001
OPERATING ACTIVITIES		
Net income for period	\$ 1,753,889	\$1,519,103
Items not affecting cash:		
Amortization	1,232,549	971,122
Asset writedown and other	64,134	
Future income taxes	78,597	659,632
	3,129,169	3,149,857
Net change in non-cash working capital	(223,319)	(241,166)
CASH PROVIDED BY OPERATING ACTIVITIES	2,905,850	2,908,691
FINANCING ACTIVITIES		
Decrease in bank indebtedness	(1,329,996)	(962,491)
Repayment of long-term debt	(1,390,312)	(1,376,684)
Share repurchase	–	(107,998)
Shares issued by private placement	–	990,000
Shares issued on exercise of options	747,460	–
CASH USED IN FINANCING ACTIVITIES	(1,972,848)	(1,457,173)
INVESTING ACTIVITIES		
Purchase of capital assets	(1,193,753)	(2,000,131)
Deferred charges	(56,432)	(141,559)
Acquisition of Bear View	(215,000)	–
CASH USED IN INVESTING ACTIVITIES	(1,465,185)	(2,141,690)
NET DECREASE IN CASH	(532,183)	(690,172)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,016,158	1,602,202
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 483,975	\$ 912,030

see accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

1. These interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended March, 31, 2002. Accounting policies and methods followed in the preparation of these financial statements are the same as those summarized in note 2 to the consolidated financial statements for the year ended March 31, 2002 except as noted below.

2. ACQUISITIONS

On July 1, 2002 the Company completed the acquisition of 100% of the issued and outstanding shares of Bear Brewing Company Ltd. ("Bear") in exchange for 100,000 shares of Big Rock valued at \$7.75 per share. Bear is a British Columbia based company that produces and markets its own brands of specialty draught and bottled beer. Simultaneously, the Company exercised its option to increase its ownership of Bear View Developers Ltd. ("Bear View") from 50% to 100% for consideration of \$215,000 cash.

Bear View owns the land and building from which Bear operates its brewery. The acquisitions have been accounted for using the Purchase method with the results of operations of Bear and Bear View accounted for from the date of acquisition. Total consideration paid including acquisition costs has been allocated as follows:

	Bear \$	Bear View \$
Working capital	277,612	(2,331)
Capital assets	650,000	1,425,292
Goodwill	475,388	–
	1,403,000	1,422,961
Long-term debt assumed	(500,000)	(870,000)
Future income taxes	(128,000)	(95,000)
Consideration paid for initial 50% interest in Bear View	–	(242,961)
	775,000	215,000

3. CHANGES IN ACCOUNTING POLICY

Goodwill - On April 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") recommendations on the accounting for goodwill and other intangible assets. Previously, the Company amortized goodwill over 20 years. Under the new recommendations, goodwill is no longer amortized but is instead subjected to an impairment test at least annually with any resulting impairment charged to earnings. There was no impairment of goodwill upon adoption of this standard.

Stock Compensation - On April 1, 2002 the Company adopted the new CICA recommendations for stock-based compensation. The Company has applied the change prospectively for new awards and has chosen not to recognize compensation expense when stock options with no cash settlement feature are granted to employees and directors under the stock option plan.

The new recommendations require that stock-based payments to non-employees be accounted for in accordance with the fair value method. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock and the fair value of stock options are determined using the Black Scholes option pricing model.

This new standard requires the presentation of pro-forma net income as if the Company had accounted for its employee stock options granted after March 31, 2002 under the fair value method. During the period there were 30,250 options granted at an exercise price of \$7.23 and 73,250 options granted at an exercise price of \$6.35

	Three Months Ended December 31, 2002 \$	Nine Months Ended December 31, 2002 \$
Net income for the period as reported	27,074	1,753,889
Compensation expense	72,977	108,543
Pro forma net income for the period	(45,903)	1,645,346
Reported earnings per share – basic and diluted	0.00	0.33
Compensation expense per share	0.01	0.02
Pro forma earnings per share – basic and diluted	(0.01)	0.31

4. ISSUED AND OUTSTANDING COMMON SHARES

	# Shares	Amount \$
Balance as at March 31, 2002	5,241,556	13,131,991
Shares issued on exercise of stock options	35,800	175,480
Balance as at June 30, 2002	5,277,356	13,307,471
Shares issued for acquisition of Bear	100,000	775,000
Shares issued on exercise of stock options	22,800	112,217
Balance as at September 30, 2002	5,400,156	14,194,688
Shares issued on exercise of stock options	84,500	459,763
Balance as at December 31, 2002	5,484,656	14,654,451

5. REORGANIZATION

On January 2, 2003, Big Rock Brewery Ltd. ("Big Rock") and its wholly owned subsidiaries, Bear Brewing Company Ltd. and Whistler Brewing Company Ltd. established the Big Rock Brewery Partnership. All assets and liabilities other than head office furniture and equipment and bank debt were transferred to the Partnership in return for a partnership interest.

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. 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 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.

The costs of the reorganization amounting to \$728,890 have been expensed in the current quarter.

big Rock

Third Quarter Report

Nine Months Ended
December 31, 2002



BIG ROCK BREWERY LTD.