

CONSOLIDATED BALANCE SHEETS

	31-Mar-04 (unaudited)	31-Dec-03
Assets		
Current		
Cash and cash equivalents	\$ 228,759	\$ 257,258
Accounts receivable	3,014,316	2,849,244
Income tax recoverable	2,071,656	2,195,000
Inventories	4,488,727	4,512,097
Prepaid expenses and other	433,459	350,343
Investments	47,008	47,008
	<u>10,283,925</u>	<u>10,210,950</u>
Capital assets	29,829,377	29,745,239
Deferred charges	118,296	127,769
Goodwill	727,218	727,218
	<u>\$ 40,958,816</u>	<u>\$ 40,811,176</u>
Liabilities and Unitholders' Equity		
Current		
Bank indebtedness	\$ 832,760	\$ 1,574,393
Accounts payable and accrued liabilities	2,093,661	1,948,094
Distributions payable	401,004	335,851
Current portion of long-term debt	1,100,000	1,100,000
	<u>4,427,425</u>	<u>4,958,338</u>
Long-term debt	2,192,247	2,267,247
Future income taxes	6,680,948	6,899,072
	<u>13,300,620</u>	<u>14,124,657</u>
Unitholders' equity		
Trust unitholders' capital (note 2)	15,797,289	15,051,988
Contributed surplus	24,150	24,150
Undistributed income	11,836,757	11,610,381
	<u>27,658,196</u>	<u>26,686,519</u>
	<u>\$ 40,958,816</u>	<u>\$ 40,811,176</u>

see accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS & UNDISTRIBUTED INCOME

	Three Months Ended March 31 (unaudited)	
	2004	2003
Revenue		
Sales	\$ 10,772,794	\$ 8,480,213
Government taxes and commissions	(2,486,898)	(1,930,729)
	<u>8,285,896</u>	<u>6,549,484</u>
Cost of sales	3,201,368	2,546,521
	<u>5,084,528</u>	<u>4,002,963</u>
Gross profit		
Expenses		
Selling	2,389,789	2,159,425
General & administrative	951,940	1,002,523
Reorganization costs	–	181,019
Interest	50,882	76,560
Amortization	458,890	496,961
	<u>3,851,501</u>	<u>3,916,488</u>
Income before income taxes	1,233,027	86,475
Current income tax expense (recovery)	27,700	(559,055)
Future income tax expense (recovery)	(218,124)	106,422
	<u>(190,424)</u>	<u>(452,633)</u>
Net income for the period	<u>1,423,451</u>	<u>539,108</u>
Undistributed income, beginning of period	11,610,381	10,406,032
Cash distributions	(1,197,075)	(886,611)
Undistributed income, end of period	<u>\$11,836,757</u>	<u>\$10,058,529</u>
Net income per unit		
Basic	\$0.25	\$0.10
Diluted	\$0.24	\$0.10

see accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended March 31 (unaudited)	
	2004	2003
Operating Activities		
Net income for period	\$ 1,423,451	\$ 539,108
Items not affecting cash:		
Amortization	458,890	496,961
Future income taxes	(218,124)	106,422
	<u>1,664,217</u>	<u>1,142,491</u>
Net change in non-cash working capital relating to operating activities	53,566	(1,037,806)
Cash provided by operating activities	<u>1,717,783</u>	<u>104,685</u>
Financing Activities		
Increase (decrease) in bank indebtedness	(741,633)	1,272,854
Repayment of long-term debt	(75,000)	–
Distribution payments	(1,131,922)	(886,611)
Cash received on exercise of options	745,301	35,900
Cash provided by (used in) financing activities	<u>(1,203,254)</u>	<u>422,143</u>
Investing Activities		
Purchase of capital assets	(543,028)	(1,129,310)
Deferred charges and other assets	–	118,507
Cash used in investing activities	<u>(543,028)</u>	<u>(1,010,803)</u>
Net decrease in cash	<u>(28,499)</u>	<u>(483,975)</u>
Cash and cash equivalents, beginning of period	257,258	483,975
Cash and cash equivalents, end of period	<u>\$ 228,759</u>	<u>\$ 0</u>

see accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

1. These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principals 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 nine months ended December 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 Big Rock for the nine months ended December 31, 2003.

2. Issued & Outstanding Trust units	# Units	Amount \$
Balance as at December 31, 2003	5,597,524	15,051,988
Units issued on exercise of options	131,100	745,301
Balance as at March 31, 2004	<u>5,728,624</u>	<u>15,797,289</u>

As at March 31, 2004 there were 314,200 unit options outstanding.

During the quarter there were no options granted.

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

Period covered	Record date	Distribution date	Per Unit
January 1, 2004			
–January 31, 2004	January 30	February 15	\$0.07
February 1, 2004			
–February 29, 2004	February 27	March 15	\$0.07
March 1, 2004			
–March 31, 2004	March 31	April 15	

4. Certain comparative figures have been reclassified to conform to the current period's presentation.

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 months ended March 31, 2004 and the audited consolidated financial statements as at and for the nine months ended December 31, 2003. 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 3 to the consolidated financial statements of the Trust for the nine months ended December 31, 2003.

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, Manitoba and Ontario. Big Rock products are distributed in the Western United States by third party agents.

Financial Condition:

Big Rock's balance sheet continued to strengthen during the quarter ended March 31, 2004 as Unitholders' equity increased by \$971,677 (4%) from December 31, 2003 after cash distributions to unitholders of \$1,197,075.

At March 31, 2004, accounts receivable increased by \$165,072 to \$3,014,316 from \$2,849,244 as at December 31, 2003 due primarily to the timing of receipt of provincial government beer payments and increasing sales.

Income taxes recoverable of \$2,071,656 at March 31, 2004 arose from the deferral of income for income tax purposes by the formation of the Big Rock Brewery Partnership.

Inventories as at March 31, 2004 decreased by \$23,370 to \$4,488,727 from \$4,512,097 as at December 31, 2003. December raw materials purchases resulted in higher ending inventories when compared to March.

Prepaid expenses and deposits increased by \$83,116 to \$433,459 as at March 31, 2004 from \$350,343 as at December 31, 2003. The difference was principally prepaid property tax and prepaid insurance.

Goodwill of \$727,218 arose from the previous purchase of Kamloops Brewing Company Ltd. (formerly 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 quarter based on the results of operations and the outlook for the business.

Bank indebtedness was \$832,760 at March 31, 2004 a \$741,633 decrease from December 31, 2003. This demand operating loan bears interest at Royal Bank prime rate plus 0.5%. The balance of this facility fluctuates as working capital requirements dictate but also reflects the strong results in the current quarter.

At March 31, 2004 accounts payable increased by \$145,567 to \$2,093,661 from \$1,948,094 as at December 31, 2003 due primarily to the timing of payments to suppliers.

Term debt decreased by \$75,000 to \$3,292,247 as at March 31, 2004 from \$3,367,247 as at December 31, 2003. Principal payments of \$25,000 per month were made on the Royal Bank term debt. This term facility is a \$3,000,000 non-revolving loan bearing interest at prime plus 0.75% due January 30, 2006.

The Royal Bank facilities impose a number of covenants on Big Rock including the maintenance of certain financial ratios. At March 31, 2004 Big Rock was in compliance with all of its debt covenants. Security for these borrowings is a general assignment of the Partnership's assets.

Long-term debt also includes an \$800,000 mortgage secured by the Kamloops Brewery land and building. This third party mortgage has no fixed repayment terms and bears interest at 6%.

The provision for future income taxes decreased by \$218,124 to \$6,680,948 as at March 31, 2004 from \$6,899,072 as at December 31, 2003. 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.

During the three months ended March 31, 2004, 131,100 unit options were exercised for proceeds to the Trust of \$745,301. Thus Unitholders' capital increased by this amount during the quarter. In the three months ended March 31, 2003, 5,500 unit options were exercised for proceeds of \$35,900. Subsequent to quarter end 10,250 options at \$13.76 were granted, 21,650 options were exercised for proceeds to the Trust of \$147,220 and 4,100 options were cancelled.

Results of Operations:

Sales volume in hectoliters for the three months ended March 31, 2004 increased to 44,064 from 33,366 for the three months ended March 31, 2003, a 32% increase.

Gross sales revenue increased by \$2,292,581 to \$10,772,794 during the three months ending March 31, 2004 from \$8,480,213 for the same period last year, a 27% increase. The increase in both volume and dollars resulted from the increasing popularity of Alberta Genuine Draft and the wide distribution of Jack Rabbit Low Carb Lager.

Government taxes and commissions increased from \$1,930,729 for the three month period last year to \$2,486,898 for the three months this year, a 29% increase. This is consistent with the growth in gross sales revenue.

For the three month period, net sales revenue, which is gross sales less government taxes and commissions, rose to \$8,285,896 from \$6,549,484 for the same period last year, a 27% increase which is consistent with the increase in gross sales revenue.

Cost of sales increased from \$2,546,521 for the three months last year to \$3,201,368 for the three months ending March 31, 2004. Cost of sales as a percentage of sales was 30% for the three months ending March 31, 2004 consistent with same period last year.

Gross profit for the quarter, which is net sales less cost of sales, was up 27% from \$4,002,963 last year to \$5,084,528 this year commensurate with the volume increase.

Selling expenses for the quarter increased to \$2,389,789 this period compared to \$2,159,425 for the same period last year, an 11% increase. Selling expense per hectoliter decreased to \$54 this period from \$65 in the same period last year. Management's focus on decreasing the rate of growth of selling expenses as volumes increase continued to produce positive results this quarter.

During the quarter ending March 31, 2004, General and administrative expenses decreased to \$951,940 from \$1,002,523 the previous year. This was principally due to foreign exchange loss booked on U.S. denominated accounts during the first quarter last year.

Non-recurring costs of reorganization of Big Rock into a Trust were booked in the three month period last year resulting in a charge of \$181,019 to earnings.

EBITDA (earnings before interest, taxes, depreciation and amortization) for the three months ending March 31, 2004 was \$1,742,799 compared to last year's EBITDA of \$659,996 (a 164% increase). This increase is due primarily to increased sales, lower selling costs and non-recurring reorganization costs of \$181,019 recorded during the quarter ended March 31, 2003.

Amortization for the three months ended March 31, 2004 was \$458,890 compared with \$496,961 for the year ended March 31, 2003. The decrease is due to the declining balance to be depreciated.

An income tax recovery of \$190,424 was recorded as a result of the effect of an income tax rate reduction in Alberta on future income taxes payable.

Net income for the quarter ending March 31, 2004 was \$1,423,451 compared to \$539,108 the same period last year, a 164% increase.

Cash Flows:

Cash provided by operating activities during the quarter increased by \$1,613,098 to \$1,717,783 compared to \$104,685 for the three months ended March 31, 2003. The increase reflects the improved operating results.

Financing activities during the quarter include a repayment of \$741,633 of bank indebtedness and payments on term debt of \$75,000.

During the quarter, cash distributions of \$1,197,075 (\$0.21/unit) were paid to Unitholders, all of which are taxable in their hands. Cash distributions of \$886,611 (\$0.16/unit) were paid to Unitholders in the quarter ended March 31, 2003. Stock options exercised during the quarter contributed \$745,301 of cash compared to \$35,900 for the quarter ended March 31, 2003.

Cash used in investing activities includes the purchase of capital assets of \$543,028 relating to purchase of a palletizer and quality control equipment.

Liquidity and Capital Resources:

Big Rock's working capital (current assets less current liabilities) increased to \$5,856,500 as at March 31, 2004 from \$5,252,612 as at December 31, 2003 and \$1,696,575 as at March 31, 2003.

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 \$3,000,000 is sufficient to fund operating fluctuations in cash requirements throughout the year.

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.

Edward E. McNally
Chief Executive Officer
May, 2004
Calgary, Alberta, Canada

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First Quarter Report

Three Months Ended March 31, 2004

