



First Quarter Report

For the three month period ended
March 31, 2006

Big Rock Brewery Income Trust

Management's Discussion and Analysis for the three month period ended March 31, 2006

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, 2006 and the audited consolidated financial statements as at and for the year ended December 31, 2005. 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 the 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, 2005.

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 a brewery located in Calgary, Alberta. 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

Results of Operations:

Sales volume grew by 8% during the first quarter from 41,825 HL to 45,078 HL. These strong sale results are attributable to a rapid growth in Big Rock's private label and value beer business. Big Rock's premium products sales were relatively flat year over year.

In early March, selling prices were increased an average of 3% to mitigate increasing input costs, particularly transportation and utilities. At the same time the selling prices of various Big Rock brands were harmonized.

For the quarter ended March 31, 2006, net sales revenue rose 5% to \$8,319,702 from \$7,948,540 for the same period of 2005. Year-over-year net revenue per hectoliter decreased by \$5 reflecting the increase in sales of lower margin value and private label brands.

Cost of sales increased to \$3,299,341 this quarter from \$3,164,715 in the same quarter last year primarily due to the increase in production volumes. Year over year the cost of sales per hectoliter decreased by \$3 per hectolitre from \$76 to \$73. Production efficiencies increase as Big Rock shifts its production to beer in cans vs bottles. As the

first quarter is typically the slowest of the year, costs per hectoliter in the quarter are higher than the annual average of \$71/HL.

Gross profit for the quarter was up \$236,536 (5%) to \$5,020,361 from \$4,783,825 in the same quarter last year commensurate with the net sales increase.

Selling expenses for the quarter ended March 31, 2006 increased by \$168,826 (7%) to \$2,444,178 compared to \$2,275,352 in the same quarter last year. This increase is entirely attributable to a non-resident brewer "cost of service" charge of \$24/HL by the B.C. Liquor Distribution Branch. This is applicable as Big Rock no longer operates a B.C. brewery. Alberta and B.C are currently working on harmonizing the treatment of inter-provincial trade and commerce and Big Rock anticipates the same treatment in B.C. that B.C. brewers are accorded in Alberta.

Income tax expense for the quarter of \$182,594 (2005 - \$190,641) is comprised of \$223,228 in current income tax expense less \$40,634 in future income tax recovery. The income trust structure shelters approximately \$5,586,894 of net income by shifting the tax burden to the unitholders and reducing the effective income tax rate from 34.55% to 14.55%.

Net income for the quarter ending March 31, 2006 was \$1,063,870 compared to \$1,001,425 for the quarter ended March 31, 2005, a 6% increase due primarily to the increase in sales.

Net income per unit increased by 6% to \$0.18 for the quarter ended March 31, 2006 compared to \$0.17 in the same quarter last year. Units outstanding increased by 12,700 to 6,011,024 during the quarter.

Cash distributions declared to unitholders for the quarter ended March 31, 2006 were \$1,982,967 or \$0.33 per unit (2005 - \$1,761,517 or \$0.30 per unit).

Financial Condition:

Big Rock continues to enjoy good liquidity with \$5,981,728 in cash and cash equivalents at quarter-end (December 31, 2005 - \$5,722,465) after paying out cash distributions of \$1,981,600 during the quarter ended March 31, 2006 (2005 - \$1,759,437) and no long-term debt.

At March 31, 2006, accounts receivable decreased by \$1,609,411 (42%) to \$2,238,986 from \$3,848,397 as at December 31, 2005. The timing of receipts of large balances from government liquor authorities often causes significant swings in accounts receivable balances over period ends.

Inventories as at March 31, 2006 increased by \$268,835 (9%) to \$3,317,445 from \$3,048,610 as at December 31, 2005 as Big Rock begins building inventory for the upcoming summer season.

The net book value of property, plant and equipment increased by \$275,825 during the quarter ended March 31, 2006 to \$28,891,071 (December 31, 2005 - \$28,615,246). Expenditures during the quarter were primarily for a deposit on a new brew kettle and boiler upgrades.

Big Rock has a \$5,000,000 demand operating facility provided by Alberta Treasury Branches (ATB) which bears interest at ATB prime rate. The balance of this facility will fluctuate as working capital requirements dictate.

The ATB facilities impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. At March 31, 2006 and 2005 Big Rock was in compliance with all of its debt covenants. Collateral for these borrowings is a general assignment of the Partnership's assets.

At March 31, 2006 accounts payable decreased by \$51,615 (2%) to \$2,694,853 from \$2,746,468 as at December 31, relatively unchanged.

The provision for future income taxes decreased by \$40,634 to \$8,019,533 as at March 31, 2006 from \$8,060,167 as at December 31, 2005. 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, 2006, 12,700 unit options were exercised for proceeds to the Trust of \$118,791. In the quarter ended March 31, 2005 20,800 unit options were exercised for proceeds of \$156,080.

Contributed surplus of \$282,683 represents stock based compensation expense calculated using the Black-Scholes option pricing model less \$4,270 in conversion of Contributed Surplus to Trust Unitholders capital related to options exercised in the quarter.

Cash Flows:

Cash provided by operating activities increased by \$1,812,911 (185%) to \$2,794,347 for the quarter ended March 31, 2006 from \$981,436 in the same quarter last year. The increase arose primarily from decreases in accounts receivable and the future income tax provision.

During the period cash distributions of \$1,981,600 (2005 - \$1,759,437) were paid to Unitholders, all of which are taxable in their hands. Stock options exercised during the quarter contributed \$118,791 of cash compared to \$156,080 for the quarter ended March 31, 2005.

Cash used in investing activities includes the purchase of plant, property and equipment assets of \$783,287 (2005 - \$1,192,723) relating to upgrades to boilers and the purchase of a new brew kettle.

Summary of Quarterly Results:

<u>Quarter Ended</u>	<u>Net Sales</u>	<u>Net Income</u>	<u>Earnings per unit</u>		<u>Weighted Average</u>
			<u>Basic</u>	<u>Diluted</u>	<u>Units Outstanding</u>
31-Mar-06	\$8,319,702	\$1,063,870	\$0.18	\$0.18	6,008,991
31-Dec-05	\$10,007,311	\$1,698,890	\$0.29	\$0.29	5,981,357
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

Liquidity and Capital Resources:

Big Rock's working capital (current assets less current liabilities) decreased by \$1,005,753 to \$7,868,501 as at March 31, 2006 from \$8,874,254 as at December 31, 2005, largely as a result of lower accounts receivable at quarter end. Accounts receivable dropped in the quarter due to collection of amounts due from the B.C. Liquor Control Board and lower sales revenue compared to the 4th quarter of 2005.

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 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.

**Big Rock Brewery Income Trust
Consolidated Balance Sheet
(Unaudited)**

	<u>31-Mar-06</u>	<u>31-Dec-05</u>
Assets		
Current		
Cash and cash equivalents	\$5,981,728	\$5,722,465
Accounts receivable	2,238,986	3,848,397
Inventories	3,317,445	3,048,610
Prepaid expenses	244,437	150,685
	<u>11,782,596</u>	<u>12,770,157</u>
Property, plant and equipment	28,891,071	28,615,246
Deferred charges and other assets	289,762	400,774
Total assets	<u><u>\$40,963,429</u></u>	<u><u>\$41,786,177</u></u>
Liabilities and Unitholders' Equity		
Current		
Accounts payable and accrued liabilities	2,694,853	2,746,468
Income tax payable	558,119	489,679
Distributions payable	661,123	659,756
	<u>3,914,095</u>	<u>3,895,903</u>
Future income taxes	8,019,533	8,060,167
Total liabilities	<u>11,933,628</u>	<u>11,956,070</u>
Unitholders' equity		
Trust unitholders capital (note 2)	17,995,802	17,872,741
Contributed surplus (note 2)	282,683	286,953
Undistributed income	10,751,316	11,670,413
Total Unitholders' equity	<u>29,029,801</u>	<u>29,830,107</u>
Total Liabilities and Unitholders' equity	<u><u>\$40,963,429</u></u>	<u><u>\$41,786,177</u></u>

See accompanying notes

Big Rock Brewery Income Trust
Consolidated Statement of Operations & Undistributed Income
(Unaudited)

	Three months ended	
	March 31,	
	2006	2005
Revenue	\$8,319,702	\$7,948,540
Cost of sales	3,299,341	3,164,715
Gross profit	<u>5,020,361</u>	<u>4,783,825</u>
Expenses		
Selling	2,444,178	2,275,352
General & administrative	822,257	812,597
Amortization	<u>507,462</u>	<u>503,810</u>
	<u>3,773,897</u>	<u>3,591,759</u>
Income before income taxes	<u>1,246,464</u>	<u>1,192,066</u>
Current income tax expense	223,228	29,273
Future income tax expense (recovery)	<u>(40,634)</u>	<u>161,368</u>
	<u>182,594</u>	<u>190,641</u>
Net income for the period	1,063,870	1,001,425
Undistributed income, beginning of period	11,670,413	12,705,745
Cash distributions	<u>(1,982,967)</u>	<u>(1,761,517)</u>
Undistributed income, end of period	<u><u>\$10,751,316</u></u>	<u><u>\$11,945,653</u></u>
Net income per unit		
Basic	\$0.18	\$0.17
Diluted	\$0.18	\$0.17

See accompanying notes

Big Rock Brewery Income Trust
Consolidated Statement of Cash Flows
(Unaudited)

	Three months ended	
	March 31,	
	2006	2005
Operating Activities		
Net income for the period	\$1,063,870	\$1,001,425
Items not affecting cash:		
Amortization	507,462	503,810
Future income taxes (recovery)	(40,634)	161,368
	<u>1,530,698</u>	<u>1,666,603</u>
Net change in non-cash working capital relating to operating activities	1,263,649	(685,167)
Cash provided by operating activities	<u>2,794,347</u>	<u>981,436</u>
Financing Activities		
Distribution payments	(1,981,600)	(1,759,437)
Cash received on exercise of options	118,791	156,080
Cash used in financing activities	<u>(1,862,809)</u>	<u>(1,603,357)</u>
Investing Activities		
Purchase of property, plant and equipment	(783,287)	(1,192,723)
Deferred charges	111,012	(255)
Cash used in investing activities	<u>(672,275)</u>	<u>(1,192,978)</u>
Net increase (decrease) in cash and cash equivalents	259,263	(1,814,899)
Cash and cash equivalents, beginning of period	5,722,465	2,093,695
Cash and cash equivalents, end of period	<u>\$5,981,728</u>	<u>\$278,796</u>

See accompanying notes

big Rock Brewery Income Trust
Notes to the Unaudited Consolidated Financial Statements
March 31, 2006 (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, 2005. 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, 2005.

2. Issued and Outstanding Trust units	# Units	Amount \$
Balance as at December 31, 2005	5,998,324	17,872,741
Units issued on exercise of options	12,700	118,791
Transfer from contributed surplus related to options exercised		4,270
Balance as at March 31, 2006	<u>6,011,024</u>	<u>17,995,802</u>

As at March 31, 2006 there were 408,050 unit options outstanding and exercisable at a Weighted average of \$17.68. During the period no options were granted and 2,200 options were cancelled.

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

Period covered	Record date	Distribution date	Per Unit
January 1, 2006 - January 31, 2006	January 31	February 15	\$0.11
February 1, 2006 - February 28, 2006	February 28	March 15	\$0.11
March 1, 2006 - March 31, 2006	March 31	April 17	\$0.11