



## First Quarter Report

For the three month period ended  
March 31, 2008

- Big Rock Brewery Income Trust -

## Management's Discussion and Analysis

### For the three month period ended March 31, 2008

The following discussion and analysis is dated May 8, 2008 and should be read in conjunction with the Big Rock Brewery Income Trust ("Big Rock" or the "Trust") consolidated financial statements and accompanying notes included therein for the quarter ended March 31, 2008 and the audited annual consolidated financial statements and MD&A for the year ended December 31, 2007. 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.

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 Alberta, British Columbia, Saskatchewan, Manitoba and Ontario. Big Rock products are available in Newfoundland, New Brunswick, and Nova Scotia through third party agents. Big Rock also exports its products to Korea and to Canadian Embassies throughout the world.

Additional information regarding Big Rock Brewery Income Trust, including the Trust's Annual Information Form is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Selected Financial Information

	Three months ended March 31		
	2008	2007	2006
Net Sales Revenue	\$7,716,093	\$7,725,585	\$8,319,702
Net Income	\$468,037	\$834,972	\$1,063,870
Earning/unit - basic	\$0.08	\$0.14	\$0.18
Cash provided by operating activities	\$1,917,408	\$1,112,681	\$2,794,347
Weighted average # of units o/s	6,007,382	5,996,506	6,008,991
Distributions per unit	\$0.39	\$0.33	\$0.33
Total Assets	\$35,956,670	\$39,831,936	\$40,963,429
Future Income tax liability	\$3,284,843	\$7,501,514	\$8,019,533

#### Significant Events for Q1:

The first quarter of 2008 was busy on the sales and marketing front with onset of the first of our 'Beer and Music' initiatives. Big Rock Untapped was launched with Untapped Volume 1, a compact disc of "untapped" artists, which was distributed in 25,000 specially marked cases of Grasshopper, Traditional Ale and XO Lager. This was followed by the release of the Big Rock Untapped website, an online music community where artists and their audiences can converge. February and March were filled with Juno related activities in preparation for the Juno awards on April 6, 2008, where Big Rock was the official beer of the Junos.

On March 18, 2008, Ken Barbet resigned as President, Chief Executive Officer and director of Big Rock Brewery Operations Corp., the administrator of the Trust. Mr. Edward McNally, founder of Big Rock, has been appointed interim President and Chief Executive Officer. Recruitment to find a suitable replacement is underway.

## Results of Operations

For the quarter ended March 31, 2008, overall net sales revenues were down slightly \$9,492 to \$7,716,093 compared to \$7,725,585 for the quarter ended March 31, 2007. Net sales are comprised of product (beer and cider) and co-packing revenues. Net product sales were down slightly by \$47,044 (1%) to \$7,526,027 from \$7,573,071 for the quarter ended March 31, 2007. Net co-packing revenues for the quarter were up \$37,552 to \$190,066 (\$152,514 for the same quarter in 2007). Sales and marketing initiatives for 2008 focus primarily on the Alberta and Ontario regions and resulting sales in those markets are up 2% and 30%, respectively.

Cost of sales remained relatively stable with a slight decrease of \$40,828 (1%) to \$2,921,853 this quarter compared to \$2,962,681 for the same quarter last year,

Historical numbers for co-packing net revenues and cost of sales have been changed for comparison purposes only.

Gross profit for the quarter was comparable to quarter one in 2007, up \$31,336 (1%) to \$4,794,240 from \$4,762,904.

Overall selling expenses increased significantly by \$689,695 (38%) to \$2,513,388 compared to \$1,823,693 for the same quarter last year. Selling expenses include delivery costs of \$675,035 (quarter one 2007 - \$651,512). This is an increase of 4%, which is due in part to increased distribution rates and fuel prices. Remaining selling expenses for the quarter ending March 2008 were \$1,838,353 (\$1,172,044 in quarter one 2007), an increase of \$666,309. Of this amount, approximately \$163,000 resulted from the reallocation of sales and marketing management and administration salaries which had, in previous years, been recorded in general & administrative expenses. With the development of a dedicated marketing team in 2007, this allocation was changed after the internal re-organization to better reflect the role of marketing and accountability for the function. The remaining increase reflects the sales and marketing programs initiated in late 2007 and includes programs such as the Juno promotions, Big Rock Untapped, the development of two additional Eddies programs (in Toronto and Edmonton), as well as increased local sponsorships and promotions.

General and administration expenses in the quarter ending March 2008 were \$160,710 lower (\$1,275,963) than the same quarter in 2007 (\$1,436,673) which is related to the reallocation of management and marketing salaries as noted above. An additional notable one time expenditure in the quarter ending March 2008 included \$481,574 in severance payments (quarter one 2007 - \$0). Other general and administrative variances include \$339,117 in stock option compensation expense incurred in the quarter ending March 31, 2007 (quarter ending March 31, 2008 - \$0).

## Summary of Quarterly Results

Quarter Ended	Net Sales	Net Income	Earnings per unit		Weighted Average Units Outstanding
			Basic	Diluted	
31-Mar-08	\$7,716,093	\$468,037	\$0.08	\$0.08	6,007,382
31-Dec-07	\$8,294,790	\$1,440,081	\$0.13	\$0.13	6,002,870
30-Sep-07	\$9,774,612	\$1,374,104	\$0.23	\$0.23	6,001,870
30-Jun-07	\$10,748,592	\$1,807,632	\$0.30	\$0.30	5,999,703
31-Mar-07	\$8,072,300	\$834,972	\$0.14	\$0.14	5,996,506
31-Dec-06	\$8,603,228	\$1,883,998	\$0.30	\$0.29	6,020,891
30-Sep-06	\$11,222,738	\$2,685,263	\$0.45	\$0.45	6,030,474
30-Jun-06	\$10,555,007	\$2,746,934	\$0.46	\$0.46	6,014,991

## Financial Condition

Big Rock's cash and cash equivalents totaled \$166,515 at March 31, 2008 (December 31, 2007 - \$798,382).

At March 31, 2008, accounts receivable increased by \$260,838 to \$1,902,615 from \$1,641,777 as at December 31, 2007. Substantially all of Big Rock's accounts receivable are from provincial government liquor authorities and the timing of receipts of large balances often causes significant swings in accounts receivable over period ends.

Inventories as at March 31, 2008 increased \$655,124 to \$3,565,151 from \$2,910,027 as at December 31, 2007. This is primarily related to increased production levels in February, 2008 to prepare for a brief plant shutdown for planned capital improvements and also reflects the increased cost of raw and packaging materials.

The net book value of property, plant and equipment decreased by \$244,946 in the quarter ending March 31, 2008 to \$29,791,602 (December 31, 2007 - \$30,036,548). The decrease reflects the difference between capital purchases in the quarter of \$208,883 and amortization of \$453,829.

Big Rock has a \$5,000,000 demand operating facility provided by ATB Financial (ATB) which bears interest at ATB prime rate. The balance of this facility at the quarter ending March 31, 2008 was \$4,084,595 (quarter ending March 31, 2007 - \$0) which was drawn to fund the tax payments made in February 2008 of \$3,557,090 as well as general working capital requirements. In addition, ATB has provided the Trust with a commitment letter providing up to \$4,000,000 in term financing to fund the tax payments, for a period of three years at prime plus one quarter. In April, funds totaling \$3,557,090 were advanced to the Trust under this term facility and used to pay off the demand facility.

The ATB facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. At March 31, 2008 Big Rock was not in compliance with all of its debt covenants and a waiver was received from ATB. Collateral for these borrowings is a general assignment of Big Rock's assets. Subsequent to quarter one, the operating facility was repaid with the term funds as detailed above and covenants were restored (see Note 8).

At March 31, 2008, accounts payable increased by \$992,017 to \$2,468,058 from \$1,476,041 as at December 31, 2007. These payables are all in the normal course of business and fluctuate based upon timing of receipt and payment of vendor invoices and are also affected by production levels.

At March 31, 2008, 634,250 unit appreciation rights (UAR's) were outstanding. There was no liability for UAR's at quarter end.

The provision for future income taxes payable increased by \$83,023 to \$3,284,843 as at March 31, 2008. Future income taxes payable reflect 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 new "flow through" structure.

No current tax provisions have been booked due to the modified tax structure of the Trust to provide the Trust with a "flow-through" structure that eliminates the majority of income tax expense currently being incurred until December 31, 2010.

Contributed surplus of \$742,854 represents primarily unit based compensation expense calculated using the Black-Scholes option pricing model for unit option grants together with adjustments related to certain unit appreciation rights as described in note 2 to the financial statements. The decrease of \$3,654 in the first quarter of 2008 reflects a transfer to Trust unitholders' capital for unit options exercised in the period.

## Cash flows

Cash provided by operating activities in the quarter ended March 31, 2008, increased by \$804,727 to \$1,917,408 from \$1,112,681 for the quarter ended March 31, 2007, primarily due to net changes in non-cash working capital.

During the quarter, cash distributions of \$2,342,419 (March 31, 2007 - \$1,979,628) were paid to Unitholders, all of which are taxable in their hands. There was no return of capital included in the distributions.

Unit options exercised during the quarter contributed \$65,490 of cash compared to \$44,479 for the quarter ended March 31, 2007.

Cash used in investing activities during the quarter ended March 31, 2008 included the purchase of property, plant, and equipment assets of \$208,883 (quarter ended March 31, 2007 - \$797,052) expended primarily for a new brewhouse floor, packaging line and restaurant improvements.

## Liquidity and capital resources

Working capital (current assets less current liabilities) decreased by \$1,545,517 to (\$1,458,839) as a result of the reduction of cash flow from operations, and the payment of the 2007 tax provision recorded at March 31, 2008 as part of the internal Reorganization.

The Trust's revolving bank operating line of \$5,000,000 is sufficient to fund operating fluctuations in cash requirements throughout the year.

Each month the Board of Directors sets the cash distribution per unit, considering Big Rock's requirements for capital expenditures, debt servicing requirements, and current operating results compared to budget as well as projected net incomes.

## Cash Distributions

Big Rock's distributions to its Unitholders are funded by cash flow from operating activities with the remaining cash directed towards capital spending and debt repayments. The Trust intends to provide distributions to Unitholders that are sustainable to the Trust considering its liquidity and long-term operational strategies. Since the level of distributions is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future distributions cannot be assured.

Distributions declared to Unitholders may exceed net earnings generated during the period. Net earnings may not be an accurate indicator of the Trust's liquidity, as it may be comprised of significant charges not involving cash including future income tax and depreciation related expenses.

## Issued and Outstanding Trust Units

	# Units	Amount \$
Balance as at December 31, 2007	6,002,870	18,317,483
Units issued on exercise of options	8,700	65,490
Transfer from contributed surplus related to options exercised	-	3,654
Balance as at March 31, 2008	6,011,570	18,386,627

### Trust Unit Options

As at March 31, 2008 there were 529,500 unit options outstanding and exercisable at a weighted average price of \$16.73. During the three month period ended March 31, 2008, 8,700 options were exercised and 900 cancelled.

Issued and Outstanding Trust unit options	# Units	2008
		Weighted Average Exercise Price
Balance, as at December 31, 2007	539,100	\$16.57
Cancelled	(900)	\$ 6.70
Exercised	(8,700)	\$ 7.53
Balance, as at March 31, 2008	529,500	\$16.73

### Critical accounting estimates

#### Returnable glass containers -

Returnable glass containers are initially recorded at cost. In order to charge operations for wear and disappearance, the cost of bottles is charged to operations over the estimated useful life of five years. Big Rock has purchased \$1,738,162 of returnable glass containers since converting to the Industry Standard Bottle in early 2002. Net book value of returnable glass containers as at March 31, 2008 is \$684,750.

#### Stock-based compensation -

The Trust recognizes compensation expense based on the Black-Scholes option pricing model, when options with no cash settlement feature are granted to employees and directors under the option plan. No stock based compensation expenses were recognized during the quarter ended March 31, 2008 (March 31, 2007 - \$339,117).

#### Plant, Property and Equipment (PP&E) -

Accounting for PP&E involves making estimates of the life of the assets, the selection of an appropriate method of depreciation and determining whether an impairment of Big Rock's assets exists. These assessments are critical due to their potential impact on earnings. Big Rock completes an assessment of the carrying value of its property, plant and equipment for indications of impairment. If there are indications of impairment, a comparison of carrying value to the estimated undiscounted future net cash flows from the assets is undertaken. If it is determined that an asset's undiscounted future net cash flows are less than it's carrying value, the asset is written down to it's net realizable value.

### Risks related to the business and the industry

Big Rock operates in an environment that is both highly competitive and highly government regulated. Due to the ongoing shifting effects of competition, the ability to predict future sales and profitability with any degree of certainty is limited. There is a continuing entry of premium and super premium beers from other craft breweries and the larger national and multi-national brewers with products that compete directly with craft beers. A large number of imports are also being sold in the same markets where Big Rock competes for business. With the large choice of brands now available, and the advertising initiatives of the major breweries, it is likely that price promotions due to competitive pressures will continue.

Big Rock requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. In Alberta, Big Rock's largest market, the Alberta Gaming and Liquor Commission provides the necessary licensing approvals. Other licenses have been obtained from the British Columbia Liquor Distribution Board, the Saskatchewan Liquor and Gaming Authority, the Manitoba Liquor Control Commission, the Liquor Control Board of Ontario, Nova Scotia Liquor Commission, Newfoundland and Labrador Liquor Corporation and the Canada Revenue Agency - Excise. Management believes that Big Rock is in compliance with all licenses, permits, and approvals.

In 2007, the Government of Canada enacted legislation imposing trust-level income taxes on publicly traded income trusts at a rate comparable to the combined federal and provincial corporate tax rate for the taxation years commencing January 1, 2011. Under this tax legislation, distributions from publicly traded income trusts would be treated effectively as dividends to the trust unitholders and the distribution tax would apply in respect of distributions of income as opposed to returns of capital. The Trust continues to evaluate any ongoing developments relating to the new legislation and does not expect to make significant changes to its trust structure at this time.

For a more detailed discussion of risk factors that could materially affect Big Rock's results of operations and financial condition, please refer to the Risk Factors section of the Trust's Annual Information Form dated March 28, 2008 that is available on [www.sedar.com](http://www.sedar.com)

### **Disclosure controls and procedures**

The Trust has established disclosure controls and procedures to ensure timely and accurate preparation of financial and other reports. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to the appropriate members of management and properly reflected in the Trust's filings. The Chief Executive Officer and the Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are adequate and effective in ensuring that the information required to be disclosed by the Trust in reports filed with the Canadian Securities Administrators is accurate and complete and filed within the time periods required. The Chief Executive Officer and the Chief Financial Officer have individually signed certifications to this effect.

### **Internal controls over financial reporting**

Big Rock's management is responsible for establishing and maintaining adequate internal controls over financial reporting. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial statement preparation and presentation. The Trust has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of internal controls over financial reporting. Big Rock did not make any change in its internal control over financial reporting during the quarter ended March 31, 2008 that has materially affected, or is reasonably likely to affect, Big Rock's internal control over financial reporting.

### **Accounting Standards Adoption**

Effective January 1, 2008 the Trust adopted the new CICA Handbook accounting requirements for Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". In accordance with the transitional provisions for these new standards, these policies were adopted prospectively without restatement of prior periods. Refer to Note 1 for additional disclosure.

### **Future Accounting Pronouncements**

#### **Section 3064 "Goodwill and Intangible Assets"**

Effective for interim and annual financial statements for fiscal years beginning on or after October 1,

2008, the new CICA Handbook Section 3064 will replace Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. This new section is effective for the Trust beginning January 1, 2009.

#### **International Financial Reporting Standards (IFRS)**

The CICA Accounting Standards Board ("AcSB") has adopted a strategic plan for the direction of Accounting Standards in Canada. As part of that plan, accounting standards in Canada for public companies are to converge with International Financial Reporting Standards ("IFRS") by the end of 2011.

The Trust has begun assessing the adoption of IFRS for 2011 but the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

#### **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

## Big Rock Brewery Income Trust

(unaudited)

	31-Mar-08	31-Dec-07
	\$	\$
<b>ASSETS (note 3)</b>		
<b>Current</b>		
Cash and cash equivalents	166,515	798,382
Accounts receivable	1,902,615	1,641,777
Inventories	3,565,151	2,910,027
Prepaid expenses and other	241,017	248,103
	<b>5,875,298</b>	<b>5,598,289</b>
<b>Property, plant and equipment</b>	<b>29,791,602</b>	<b>30,036,548</b>
Deferred charges and other assets	289,770	226,307
<b>Total assets</b>	<b>35,956,670</b>	<b>35,861,144</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	2,468,058	1,476,041
Bank indebtedness (note 3 and note 8)	4,084,595	-
Income taxes payable	-	3,255,217
Distributions payable	781,484	780,353
	<b>7,334,137</b>	<b>5,511,611</b>
<b>Future income taxes</b>	<b>3,284,843</b>	<b>3,201,820</b>
	<b>10,618,980</b>	<b>8,713,431</b>
<b>Unitholders' equity</b>		
Trust unitholders' capital (note 2)	18,386,627	18,317,483
Contributed surplus (note 2)	742,854	746,508
Undistributed income	6,208,209	8,083,722
	<b>25,337,690</b>	<b>27,147,713</b>
	<b>35,956,670</b>	<b>35,861,144</b>

See accompanying notes

## Consolidated Statements of Operations & Undistributed Income

Big Rock Brewery Income Trust

Three months ended March 31 (unaudited)

	2008	2007
	\$	\$
<b>Revenue</b>		
Net Sales	7,716,093	7,725,585
Cost of sales	2,921,853	2,962,681
<b>Gross profit</b>	<b>4,794,240</b>	<b>4,762,904</b>
<b>Expenses</b>		
Selling	2,513,388	1,823,693
General and administrative	1,275,963	1,436,673
Amortization	453,829	520,814
	<b>4,243,180</b>	<b>3,781,180</b>
<b>Income before income taxes</b>	<b>551,060</b>	<b>981,724</b>
Current income tax expense	-	72,000
Future income tax expense	83,023	74,752
	<b>83,023</b>	<b>146,752</b>
<b>Net income and comprehensive income for the period</b>	<b>468,037</b>	<b>834,972</b>
Undistributed income, beginning of period	8,083,722	11,738,829
Cash distributions declared (note 6)	(2,343,550)	(1,978,847)
Excess of consideration paid over the carrying value of Trust Units repurchased	-	(122,098)
<b>Undistributed income, end of period</b>	<b>6,208,209</b>	<b>10,472,856</b>
<b>Net income per unit (note 2)</b>		
Basic	0.08	0.14
Diluted	0.08	0.14

See accompanying notes

## Consolidated Statements of Cash Flows

Big Rock Brewery Income Trust

Three months ended March 31 (unaudited)

	2008	2007
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income for the period	\$468,037	\$834,972
Items not affecting cash		
Amortization	453,829	520,814
Unit based compensation (note 2)	-	339,117
Future income tax expense	83,023	74,752
	1,004,889	1,769,655
Net change in non-cash working capital (note 7)	912,519	(656,974)
<b>Cash provided by operating activities</b>	<b>1,917,408</b>	<b>1,112,681</b>
<b>FINANCING ACTIVITIES</b>		
Distribution payments (note 6)	(2,342,419)	(1,979,628)
Trust Unit repurchased	-	(160,066)
Cash received on exercise of options	65,490	44,479
<b>Cash used in financing activities</b>	<b>(2,276,929)</b>	<b>(2,095,215)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(208,883)	(797,052)
Deferred charges and other assets, net	(63,463)	25,737
<b>Cash used in investing activities</b>	<b>(272,346)</b>	<b>(771,315)</b>
<b>Net decrease in cash</b>	<b>(631,867)</b>	<b>(1,753,849)</b>
Cash and cash equivalents, beginning of period	798,382	4,336,830
<b>Cash and cash equivalents, end of period</b>	<b>166,515</b>	<b>2,582,981</b>

*See accompanying notes*

**Big Rock Brewery Income Trust**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2008 (unaudited)**

1. These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the audited consolidated financial statements of the Trust as at and for the year ended December 31, 2007. 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, 2007, except as described below.

**Changes in Accounting Policies**

Effective January 1, 2008 the Trust adopted the new CICA Handbook accounting requirements for Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". In accordance with the transitional provisions for these new standards, these policies were adopted prospectively without restatement of prior periods.

**Capital Disclosures**

CICA Handbook Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Trust's objectives, policies and processes for managing capital, which have been provided in Note 5.

**Inventory**

Inventory consists of materials, supplies, brews in progress and finished goods for resale. The new Section requires inventories to be measured at the lower of cost or market and net realizable value, which is consistent with the Trust's current policy for measuring inventories. The other requirements in this Section had no material effect on the Trust's financial statements.

**Financial Instruments**

CICA Handbook Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation" effective January 1, 2008 for the Trust. Section 3862 requires the disclosure of information to allow users to evaluate the significance of the financial instruments on the Trust's financial position and performance and the nature and extent of risks arising from financial instruments and how the Trust manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and how the entity manages those risks. The additional information to comply with these standards is disclosed in Note 4.

**Future Accounting Pronouncements**

**Section 3064 "Goodwill and Intangible Assets"**

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 will replace Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. This new section is effective for the Trust beginning January 1, 2009. The Trust does not anticipate that tax changes will have a material effect on the financial statements.

**International Financial Reporting Standards (IFRS)**

The CICA Accounting Standards Board ("AcSB") has adopted a strategic plan for the direction of Accounting Standards in Canada. As part of that plan, accounting standards in Canada for public companies are to converge with International Financial Reporting Standards ("IFRS") by the end of 2011.

The Trust has begun assessing the adoption of IFRS for 2011 but the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

## 2. Issued and Outstanding Trust Units

	# Units	Amount \$
Balance as at December 31, 2007	6,002,870	18,317,483
Units issued on exercise of options	8,700	65,490
Transfer from contributed surplus related to options exercised	-	3,654
Balance as at March 31, 2008	6,011,570	18,386,627

### Unit based compensation plan

On April 1, 2006 the Trust introduced a unit appreciation rights plan ("UAR") to be used as a basis for incentive compensation to employees. Under the plan, employees who held incentive unit options previously issued in June 2005 with an exercise price of \$19.07 (the "old" options) could exchange each old option for a new UAR. The UAR's vest after a three year period beginning April 1, 2006 and are exercisable for two years thereafter at a price of \$17.00 per Trust unit (to be settled in cash). At the end of each reporting period, the intrinsic value of the UAR's, as determined by the difference between the trading price of the Trust units at that date and the exercise price, is recorded as a liability on the balance sheet, on a pro rata basis, over the vesting period. For UAR's issued in exchange for old options, to the extent this amount is less than the compensation expense originally recorded in 2005 for the old options, an offsetting amount is charged to contributed surplus. Any liability in excess of the amount previously recorded as compensation expense will be recorded as additional compensation expense in the current period. During the quarter ended March 31, 2008, no UAR's were issued or cancelled. As at March 31, 2008, 634,250 are outstanding and the trading price of the Trust units was less than the exercise price of the UAR's thus no liability has been recorded.

### Trust Unit Options

There were no options granted in the quarter ending March 31, 2008 and no stock based compensation has been recorded in the period in respect of previously issued options. Stock based compensation of \$339,117 was charged to salary expense during the three month period ended March 31, 2007.

As at March 31, 2008 there were 529,500 unit options outstanding and exercisable at a weighted average price of \$16.73. During the three month period ended March 31, 2008, 8,700 options were exercised and 900 cancelled.

	2008	
Issued and Outstanding Trust unit options	# Units	Weighted Average Exercise Price
Balance, beginning of period	539,100	\$16.57
Cancelled	(900)	\$ 6.70
Exercised	(8,700)	\$ 7.53
Balance, end of period	529,500	\$16.73

Net income per unit was calculated using the weighted average number of units outstanding during each period as follows:

	2008	2007
Basic	6,007,382	5,996,506
Diluted	6,009,637	6,262,853

### 3. Bank Indebtedness

Big Rock has a \$5,000,000 demand operating facility provided by ATB Financial (ATB) which bears interest at ATB prime rate. The balance of this facility at the quarter ending March 31, 2008 was \$4,084,595 (December 31, 2007 - \$0) as a result of draws to fund tax payments made in February 2008 of \$3,557,090 as well as general working capital requirements (see Note 8). Collateral for these borrowings is a general assignment of Big Rock's assets. The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. At March 31, 2008 Big Rock was not in compliance with all of its debt covenants and a waiver was received from ATB.

### 4. Financial Instruments and Financial Risk Management

#### Fair Value of Financial Assets and Financial Liabilities

All financial assets and financial liabilities are recorded at amounts which approximate their fair market value.

#### Commodity Price Risk Management

The Trust enters into fixed price contracts to manage exposure to fluctuations in commodity prices:

In September, 2007, a contract was signed to supply barley malt for the period January 1, 2008 to December 31, 2008 at \$525 per metric tonne. Contracts are for purchase of raw materials which will be delivered in quantities which will be used over a reasonable period during the normal course of business as needed to ensure meeting production targets. There are no quantities provided in the contracts, but only set pricing for a period of one to three years.

The Trust entered into a three year contract to purchase approximately 136,000 GJ of natural gas at a fixed price of \$9.58 per GJ for Big Rock's own use during the period March 1, 2006 to February 28, 2009.

In addition the Trust has a contract (expiring June 2008) to purchase required electricity blocks at a blended block rate of \$0.06935 per kilowatt-hour.

#### Interest Rate Risk Management

The Trust evaluates the policies surrounding interest rates on an as needed basis and currently uses variable interest rate financing. The Trust is confident that this policy is sufficient based on current economic conditions, combined with the minimal amount of debt required by the Trust.

#### Foreign Exchange Risk Management

The Trust currently relies on a small number of foreign suppliers and thus has limited exposure to risk due to variations in foreign exchange rates.

### *Sensitivity Analysis*

The following table illustrates potential effects of changes in relevant risk variables on the Trust's net income for the period ended March 31, 2008:

Type	Increase or decrease	Increase or decrease in net income
Interest rate change	75 bps	\$2,103
Foreign exchange (USD)	\$0.03	\$9,590

### **5. Capital Disclosure**

The Trust's objective for managing capital is to maximize the profitability of its existing assets and to create long-term value and enhance returns for its Unitholders. The Trust considers Unitholders' Equity, short-term and long-term debt less cash and cash equivalents to be part of its capital structure. All of the borrowing facilities have financial tests and other covenants customary for the types of facilities which must be met at each quarter-end.

Big Rock's distributions to its Unitholders are funded by cash flow from operating activities with the remaining cash directed towards capital spending and debt repayments. The Trust intends to provide distributions to Unitholders that are sustainable to the Trust considering its liquidity and long-term operational strategies. Since the level of distributions is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future distributions cannot be assured.

Distributions declared to Unitholders may exceed net income generated during the period. Net income may not be an accurate indicator of the Trust's liquidity, as it may be comprised of significant charges not involving cash including future income tax and depreciation related expenses.

### **6. Cash Distributions**

For the quarter ended March 31, 2008 the Trust declared distributions of \$2,343,550 or \$0.13 per unit (\$1,978,847 or \$0.11 per unit for the same quarter in 2007). The amount of the distribution depends upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins during seasons when margins are traditionally low and over longer periods, debt repayments, capital expenditures and the actual cash amounts distributed by the Trust.

2008			
Period covered	Record date	Distribution date	Per Unit
January 1, 2008 - January 31, 2008	Jan 31	Feb 15	\$0.13
February 1, 2008 - February 29, 2008	Feb 29	Mar 15	\$0.13
March 1, 2008 - March 31, 2008	Mar 31	Apr 16	\$0.13

## 7. Net change in non-cash working capital

	Qtr 1 2008	Qtr 1 2007
	\$	\$
Accounts receivable	(260,838)	937,125
Inventories	(655,124)	(157,751)
Prepaid expenses and other	7,086	56,071
Accounts payable and accrued liabilities	992,017	(858,545)
Bank indebtedness	4,084,595	0
Income taxes payable	(3,255,217)	(633,874)
<b>Total change in non cash working capital</b>	<b>912,519</b>	<b>(656,974)</b>

## 8. Subsequent Events

On April 21, 2008 the Trust signed a commitment letter for term financing provided by ATB, for a period of three years at prime plus one quarter, payable in full on April 30, 2011. Funds totaling \$3,557,090 were advanced to the Trust under this term facility and used to pay off the demand facility. Interest is payable monthly and collateral for these borrowings is a general assignment of Big Rock's assets.

The Board of Directors of the Trust met in April to review projected sales volumes and cashflows from operating activities for 2008 and, in keeping with the Trust's strategies around distributions as described in Note 5, the decision was made to set the distribution for April 2008 at \$0.09 per unit.

## 9. Comparative figures

The comparative interim unaudited financial statements have been reclassified from statements previously presented to conform to the current period presentation.