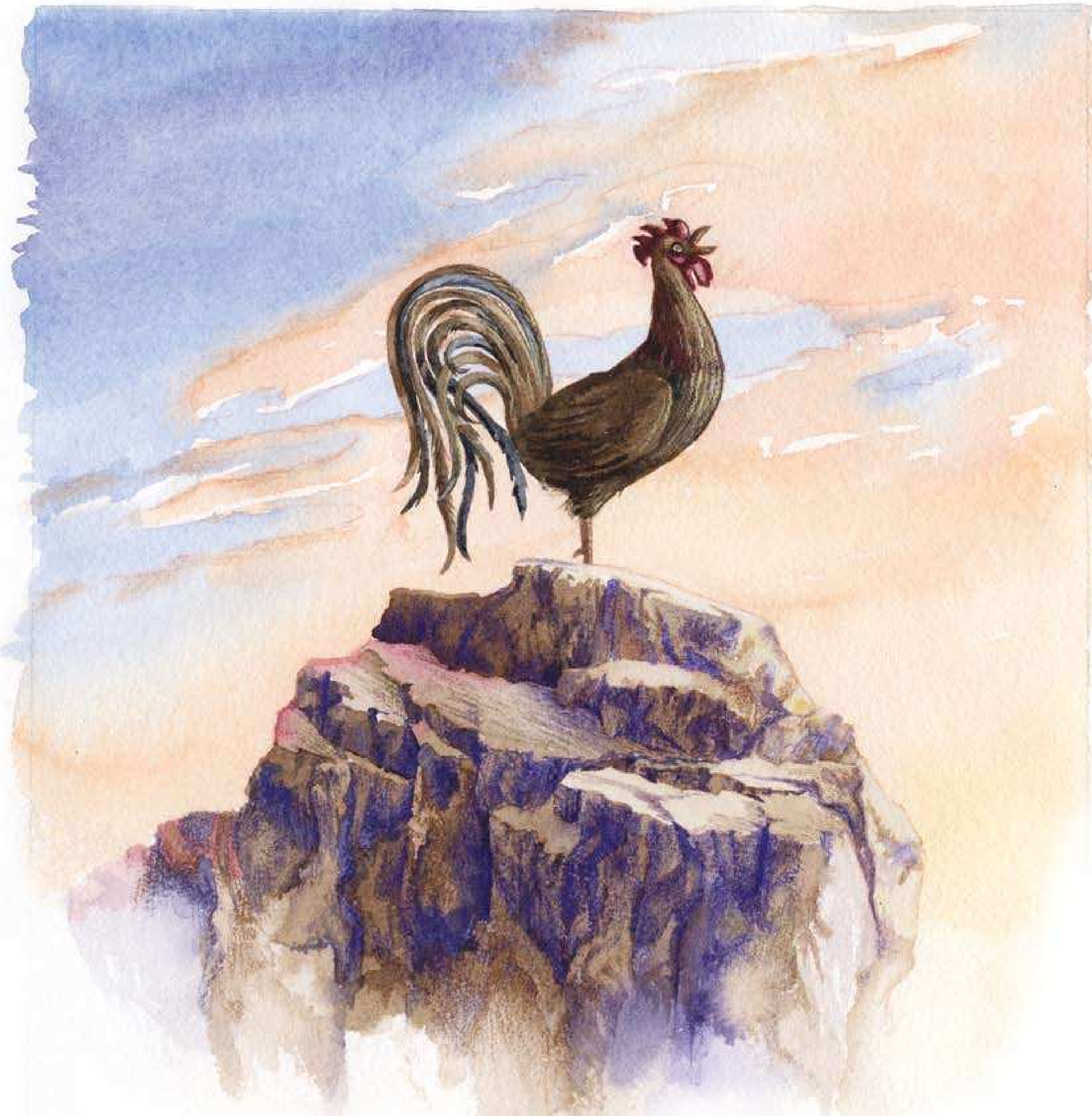


# Third Quarter Report

For the three and nine month period ending

## September 30, 2009

• Big Rock Brewery Income Trust •

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Big Rock Brewery Income Trust (the "Trust" or "Big Rock") for the three and nine months ended September 30, 2009, as compared to the same periods in 2008. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes as at and for the three and nine months ended September 30, 2009 (the "Financial Statements") and should also be read in conjunction with the audited consolidated financial statements and MD&A contained in our 2008 Annual Report. Readers should also read the "Forward-Looking Statements" contained at the end of this document.

The financial data presented herein and in the Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars, unless otherwise stated.

The MD&A is dated November 4, 2009.

## CORPORATE PROFILE

Big Rock Brewery - headquartered in Calgary, Alberta - produces premium, all-natural craft beers. As Canada's leading craft brewer Big Rock boasts a family of eleven ales and lagers, Rock Creek dry apple cider, as well as an ongoing selection of seasonal beers.

Big Rock stands out as a Canadian producer, marketer, and distributor of premium quality specialty craft beers in an environment where three of the country's largest breweries are foreign owned. We have sales and distribution facilities in Calgary and Edmonton and sales representatives resident in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario; and product is sold through an agency arrangement in the Atlantic provinces. Big Rock products are sold in nine provinces and three territories in Canada and its products are exported to Korea and to Canadian Embassies throughout the world.

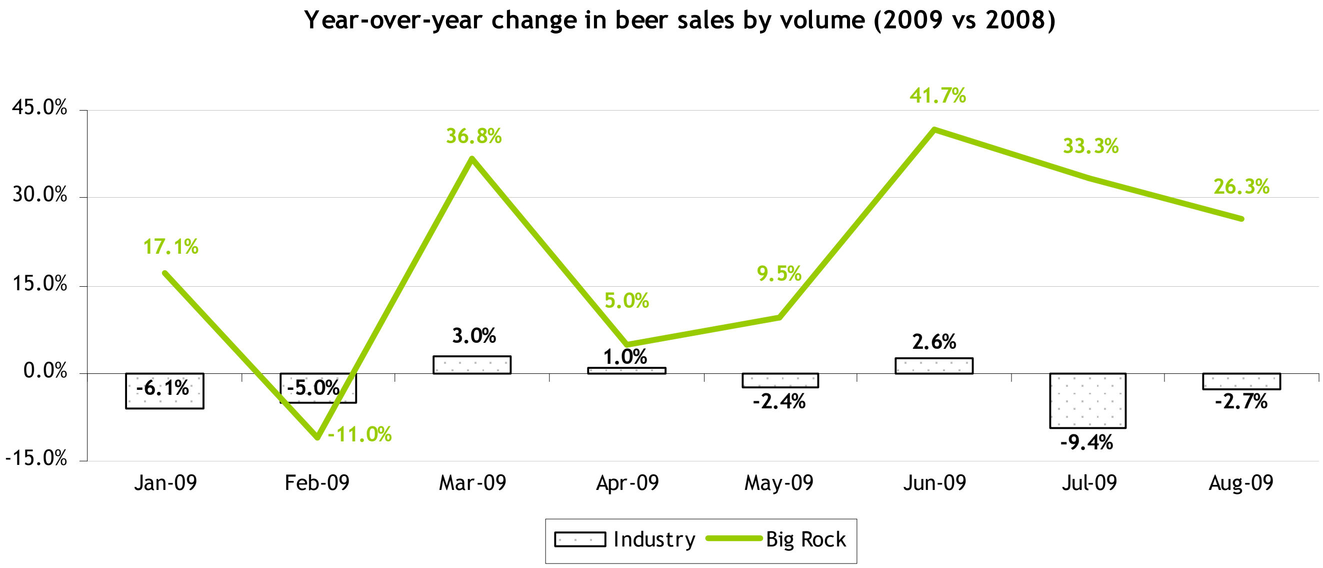
## INDUSTRY TRENDS AND INDICATORS

For the eight months ended August 2009, industry sales in Canada have declined a total of 2.6% compared to the same eight months of 2008, and volumes have decreased by 1.5% for the rolling 12 months ended August 2009 compared to 2008 levels. The general decline in industry performance is attributable to many factors, including:

- general economic conditions, causing a reduction in consumers' disposable income;
- a steady increase in the cost of beer to consumers;
- lower than average seasonal temperatures.

Despite the general decline in the industry, Big Rock's sales volumes increased by 20.7% for the same eight month period, and 19.9% for the comparative 12 month rolling period.

The graph below illustrates the change in monthly sales volumes for January through August 2009 compared to 2008. September industry data was not available at the time of this MD&A.




Source: Brewers Association of Canada, Domestic Sales Bulletin – August 2009

## RESULTS OF OPERATIONS

In 2007, Big Rock made a commitment to return to our roots with a desire to be recognized as a premium craft brewer with strong ties to the land and our community. We realized this was a long-term strategy and we continue to see the results in 2009. Quarterly net earnings have increased over the prior year comparable earnings for five consecutive periods.

Big Rock's consolidated net earnings for the three months ended September 30, 2009, increased to $3,076,018 compared to $1,417,385 for the three months ended September 30, 2008. For the nine months ended September 30, 2009, net earnings are $6,860,563, up from $3,422,543 for the same period last year.

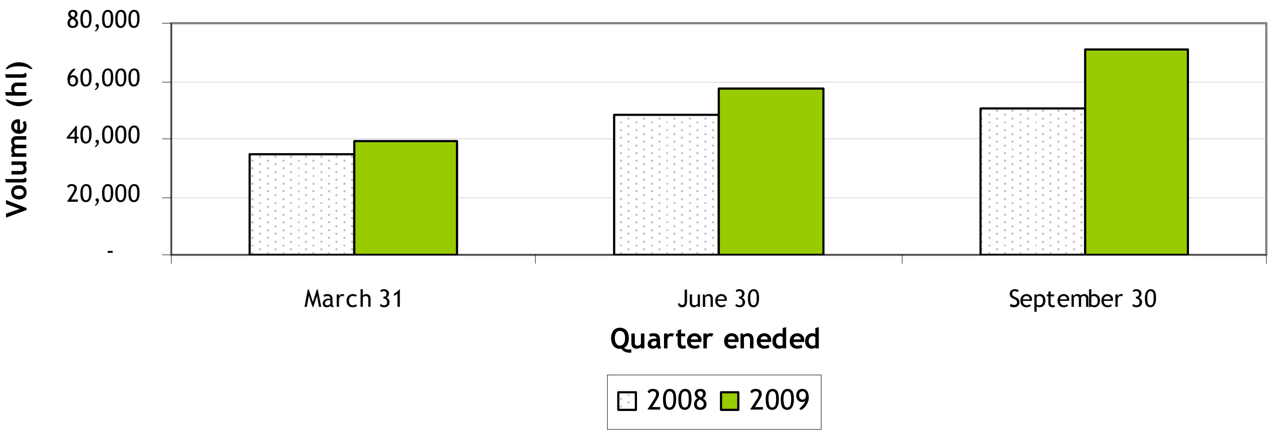
### Gross Profit

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| $ thousands (unless otherwise stated) | **2009** | 2008 | Change | **2009** | 2008 | Change |
| Net sales revenue | **15,413** | 10,331 | 5,082 | **35,703** | 28,484 | 7,219 |
| Cost of sales | **5,910** | 4,122 | 1,788 | **13,681** | 11,215 | 2,466 |
| Gross profit | **9,503** | 6,209 | 3,294 | **22,022** | 17,269 | 4,753 |
| Sales volumes (hectoliters or hl) | **70,850** | 50,521 | 20,329 | **167,710** | 133,752 | 33,958 |

Net sales revenues include product (beer and cider) and co-packing revenues. Big Rock's sales volumes are somewhat dependent on weather and cooler than average summer temperatures presented a challenge. The third quarter encompassed the majority of the summer season, which is historically a strong sales period. Despite the cooler weather in July and August of 2009, we made significant advances with our core brands and successfully introduced a new product.

On June 17th, 2009, Big Rock launched its new light Lime Lager, which proved to be an immediate hit with our customers and beer drinkers in general; moreover, it was an important stepping stone for Big Rock that helped introduce the Big Rock brand to new beer drinkers across Canada. During the third quarter, production continued to be pressed to meet unanticipated demand for the light Lime Lager. The product launch was backed by a strong media campaign that included radio and outdoor advertising, along with various social media initiatives. Despite the high demand for, and sales of, the new light Lime Lager, sales of our portfolio of brands were not impeded or negatively affected during the quarter.

**Year-over-year sales volumes - all brands**
**(excluding Big Rock Lime)**




For the three months ended September 30, 2009 sales volumes, in hectoliters, were up 40% compared to the same period of 2008 and increased 26% on a year-to-date basis compared with the same nine months of 2008. The higher volumes reflect increased consumer demand across all brands, resulting from continued attention on retail sales promotions focused on “at-home” consumption, combined with retail and on-premise (restaurants and bars) sales initiatives.

During the first nine months of 2009, sales in Alberta and British Columbia led the increase, contributing 20,329 hl of the 33,958 hl total year-to-date growth. Sales volumes in the remaining provinces and territories remained generally flat for the first nine months of 2009 compared to the same period of 2008.

For the three and nine months ended September 30, 2009, cost of sales increased by $1,787,953 (43.4%) and $2,465,925 (22.0%), respectively, compared to the same periods last year. The increases in the total cost of sales were primarily attributed to additional ingredients, glass and packaging materials, and labour charges associated with the higher production volumes.

On a per hectolitre basis, cost of sales for the three months ended September 30, 2009 increased by $1.82 per hl (2.2%) compared to the same three month period of 2008. The increase in cost of sales was primarily due to additional ingredients required to meet production volumes – including new ingredients for Big Rock’s new light Lime Lager. In addition, packaging costs for bottled products increased by approximately $570,000 compared with the same period last year, as a result of additional recycled glass bottle purchases. Canned product costs remained consistent, as the lower cost of aluminum and an increased recycling credit of approximately $300,000 offset any volume related increase. The increased per unit cost also reflects additional charges for temporary labour and overtime associated with increased production levels.

On a year-to-date basis, per unit cost of sales decreased by $2.27 per hl (2.7%) compared to the same nine months of 2008. The decrease reflects the continued benefits of cost control initiatives and operating efficiencies implemented earlier in the year. Contracts signed earlier in the year lowered the costs for ingredients, raw materials, electricity and natural gas compared with the same nine month period of 2008, while a grey-water recycling program reduced the amount of effluent water used in heating and other plant operations by approximately 35%.

Gross profit for the three months ended September 30, 2009 increased to $9,502,994 (62%) from $6,208,711 (60%) for the same quarter in 2008. Year-to-date gross profit totaled $22,021,779 (62%) compared to $17,268,269 (61%) for the same nine months of 2008. The increases reflect higher sales volumes, and the cost control initiatives and operating efficiencies mentioned above.

### Selling, General and Administrative expenses

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| $ thousands (unless otherwise stated) | **2009** | 2008 | Change | **2009** | 2008 | Change |
| Selling: | | | | | | |
| Delivery and distribution | **1,304** | 1,016 | 288 | **3,019** | 2,524 | 495 |
| Salaries, POS materials and promotional expenses | **2,978** | 2,364 | 614 | **7,724** | 6,518 | 1,206 |
| Total | **4,282** | 3,380 | 902 | **10,743** | 9,042 | 1,701 |
| Selling costs per hectoliter | **$ 60.45** | $ 66.90 | $ (6.45) | **$ 64.06** | $ 67.60 | $ (3.56) |
| General and Administrative: | | | | | | |
| Salaries and benefits | **631** | 349 | 282 | **1,318** | 1,571 | (253) |
| Other | **546** | 470 | 76 | **1,559** | 1,570 | (11) |
| Total general and administrative expenses | **1,177** | 819 | 358 | **2,877** | 3,141 | (264) |
| % of net sales revenue | **7.6%** | 7.9% | (0.3%) | **8.1%** | 11.0% | (2.9%) |

Delivery and distribution costs increased as a result of additional volumes delivered. On a per hectoliter basis, for the three and nine months ended September 30, 2009, delivery and distribution costs have decreased $1.71/hl (8.5%) and $0.87/hl (4.6%), respectively, compared with the same periods last year. The decreases are primarily driven by lower fuel surcharges than were charged in 2008, and a consolidation of carriers earlier in the year, which increased efficiencies of the delivery process.

For the three and nine months ended September 2009, selling expenses, comprised primarily of salaries and promotional materials, increased $614,739 and $1,205,455, respectively, over the same periods last year. These increases were due primarily to increased salaries which include accrued amounts under the Trust's incentive plan ($266,753), additional POS and promotional materials ($210,259) and an increase in community sponsorships and promotional events, used to promote the Big Rock brand ($96,477). Big Rock's incentive plan, under which no amounts were payable in 2008, includes both volumetric and financial targets that are established annually.

General and administration expenses for the quarter and nine months ended September 30, 2009 increased due to additional accrued amounts under the incentive plan discussed earlier. The increase was partially offset as the comparative nine month period included $507,161 of severance costs, compared with $124,797 in the current year to date.

Other general and administration expenses are comprised primarily of legal and professional fees, associated with public reporting and filings, office and administrative costs, and consulting charges. For the three and nine months ended September 30, 2009, the increases in these other general and administration amounts were primarily driven by additional work relating to the upcoming change in the taxation of trusts and work associated with the International Financial Reporting Standards conversion project.

## Interest

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| $ thousands (unless otherwise stated) | **2009** | 2008 | Change | **2009** | 2008 | Change |
| Interest on long-term debt | **31** | 45 | (14) | **85** | 65 | 20 |
| Interest on bank indebtedness | **2** | 9 | (7) | **25** | 63 | (38) |
| Total | **33** | 54 | (21) | **110** | 128 | (18) |
| Effective interest rate | **3.28% to 3.53%** | 4.75% to 5.00% | | **2.94% to 3.19%** | 4.83% to 5.08% | |

The principal amount of long-term debt and bank indebtedness was $3,557,090 as at September 30, 2009 compared to $4,803,284 as at December 31, 2008. The interest rates applicable to all loans and borrowings are based on prime. The decline in interest expense, for the three and nine months ended September 30, 2009 compared to the same periods last year, reflects the decrease in the prime rate as well as the reduction in total average borrowings.

## Amortization

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| $ thousands | **2009** | 2008 | Change | **2009** | 2008 | Change |
| Total | **497** | 506 | (9) | **1,484** | 1,435 | 49 |

For the three and nine months ended September 30, 2009, amortization expense remained generally consistent with the same periods last year. The charge for the current quarter was slightly lower as a result of timing of capital expenditures in 2008. Increases in the year-to-date charge reflect the impact of capital spending of $609,153 in 2009, which included $56,900 for the Heritage Park Interpretive Brewery, opened earlier in the year, $230,877 for new glass containers, $196,654 for replacement brewing equipment in the brewing operations, and $124,722 of new vehicles.

## Other income

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| $ thousands | **2009** | 2008 | Change | **2009** | 2008 | Change |
| Total | **62** | 57 | 5 | **211** | 160 | 51 |

Other income includes interest income, restaurant royalties, miscellaneous income (primarily from the sale of spent grains and rental of yard space), gains or losses on asset disposals and net revenues from tours, hospitality, and the dry goods store. The increase, for the quarter and year-to-date, is related primarily to higher sales volumes in the dry goods store, reflecting higher foot traffic in the brewery and the restaurant, as well as increased sales following customer tours of the brewery.

### Income taxes

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| $ thousands | **2009** | 2008 | Change | **2009** | 2008 | Change |
| **Income taxes** | | | | | | |
| Future | **499** | 90 | 409 | **157** | 260 | (103) |
| Total | **499** | 90 | 409 | **157** | 260 | (103) |

During the third quarter, the Trust recorded future income tax expenses of $498,589 compared to $89,777 in the same period last year. The income tax provision represents 26.19% of income before taxes, adjusted for distributions paid. The Trust's "flow through" structure results in a deferral of current income. This differs from the statutory rate of 29.35% due to permanent timing differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for income tax purposes. Charges and/or recoveries for future income taxes exist as a result of the net tax effects of temporary differences mentioned above.

## QUARTERLY FINANCIAL REVIEW

The following is a summary of selected financial information of the Trust for the last eight completed quarters:

| | 2009 | | | 2008 | | | | 2007 |
|---|---|---|---|---|---|---|---|---|
| $ thousands (unless otherwise stated) | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| **Sales volumes (hl)** | **70,850** | 57,378 | 39,482 | 44,306 | 50,521 | 48,195 | 33,953 | 37,074 |
| **Net sales revenue** | **15,413** | 12,087 | 8,203 | 9,150 | 10,331 | 10,436 | 7,716 | 8,295 |
| **Net earnings** | **3,076** | 2,400 | 1,384 | 1,533 | 1,417 | 1,537 | 468 | 1,440 |
| **Earnings per unit (basic and diluted)** | **$0.51** | $0.40 | $0.23 | $0.24 | $0.24 | $0.26 | $0.08 | $0.13 |
| **Distributions per unit** | **$0.28** | $0.27 | $0.27 | $0.27 | $0.27 | $0.27 | $0.39 | $0.39 |

Big Rock experiences seasonal fluctuations in volumes, net sales revenue and net earnings with the second and third quarters typically being the highest and the first and fourth being the lowest. These seasonal variations are dependent on numerous factors, including weather, timing of community events and consumer behavior. The select quarterly information are consistent with these seasonal expectations.

Management believes the recent improvement in net earnings and earnings per unit demonstrates the success of our strategic initiatives, the focus on brewing premium products and the return to our roots.

## FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Balance Sheets from December 31, 2008 to September 30, 2009:

| $ thousands (unless otherwise stated) | Increase/ (Decrease) | Primary factors explaining change |
|---|---|---|
| Cash and cash equivalents | 1,186 | Increased cash from operations |
| Accounts receivable | 1,286 | Primarily due to increased sales |
| Inventories | 495 | Primarily in raw materials and brews in progress |
| Prepaid expenses and other | 51 | Deposits on community sponsorships |
| Property, plant and equipment | (597) | Capital asset additions, net of amortization |
| Deferred charges and other assets | (255) | Reclassification of Heritage Park micro-brewery |
| Bank indebtedness | (1,246) | Increased cash from operations |
| Accounts payable and accrued liabilities | 1,254 | Primarily due to additional production costs |
| Future income taxes | 157 | Tax effect of change in capital assets |

## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

| $ thousands (unless otherwise stated) | September 30, 2009 | December 31, 2008 |
|---|---|---|
| Cash and cash equivalents | 1,186 | - |
| Total debt | 3,557 | 4,803 |
| Unitholders' equity: | | |
| Unitholders' capital | 18,431 | 18,431 |
| Contributed surplus | 741 | 741 |
| Undistributed income | 7,765 | 5,824 |
| Total unitholders' equity | 26,937 | 24,996 |
| Total capitalization (total debt plus unitholders' equity) | 30,494 | 29,799 |
| Total debt-to-capitalization ratio | 11.7% | 16.1% |

### Capital Strategy

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.  Management may make adjustments to the capital structure for changes in economic conditions.

The Trust generally relies on cash flow from operations and committed credit facilities to fund capital requirements. The Trust's revolving bank operating line of $5,000,000 is deemed to be sufficient to fund operating fluctuations in cash requirements throughout the year.

All of the borrowing facilities have financial tests and other covenants customary for the types of facilities which must be met at each reporting date. At September 30, 2009 and December 31, 2008, Big Rock was in compliance with all of its debt covenants.

### Unitholder's Capital

The Trust's authorized unit capital consists of an unlimited number of trust units.

As at September 30, 2009 and November 4, 2009 there were 6,014,678 issued and outstanding trust units.

| $ thousands (unless otherwise stated) | # of Units | $ Amount |
|---|---|---|
| Balance as at December 31, 2008 | 6,016,570 | 18,431 |
| Units cancelled (returned to treasury) | (1,892) | - |
| Balance as at September 30, 2009 | **6,014,678** | **18,431** |

The trust units trade on the Toronto Stock Exchange under the symbol BR:UN. The closing price of the shares on November 4, 2009 was $13.17 per unit. Based upon 6,014,678 issued units, the Trust has an approximate market capitalization of $79.2 million.

A total of 601,467 stock options (being 10% of all outstanding units) are available for grants under the Option Plan. As at September 30, 2009 a total of 486,600 share options were outstanding and expire at various dates up to February 2012 at amounts that range from $15.26 to $19.07 per share.

| | **2009** | | **2008** | |
|---|---|---|---|---|
| | **# of Units** | **Weighted Average Exercise Price** | **# of Units** | **Weighted Average Exercise Price** |
| Balance as at December 31 | 498,500 | $ 16.88 | 539,100 | $ 16.57 |
| Cancelled | (9,000) | 16.95 | (900) | 6.70 |
| Exercised | - | - | (8,700) | 7.53 |
| Balance as at March 31 | 489,500 | 16.88 | 529,500 | 16.73 |
| Expired | (2,900) | 12.65 | - | - |
| Balance as at June 30 | 486,600 | 16.91 | 529,500 | 16.73 |
| Exercised | - | - | (5,000) | 8.50 |
| Balance as at September 30 | **486,600** | **$ 16.91** | 524,500 | $ 16.81 |

As at November 4, 2009, following the expiry of 101,000 options on October 10, 2009, there were a total of 385,600 unit options outstanding.

## Cash Flows

### Cash Provided by Operating Activities

Cash provided by operating activities for the quarter ended September 30, 2009, totaled $5,200,259 compared to $3,079,186 for the same period last year. For the nine months ended September 30, 2009, cash provided by operating activities was $7,912,586 compared to $1,196,765 for the same nine month period of 2008. The increases in cash flow from operations were due primarily to higher earnings for the periods. In addition, 2008 working capital was reduced by $3,557,090 relating to the payment of income taxes, for which no similar amount was paid in 2009.

### Investing Activities

Capital spending, net of dispositions, was $230,307 in the third quarter of 2009, consistent with the same period last year. For the nine months ended September 30, 2009, capital spending, net of dispositions, totaled $609,153, a decrease of $97,695 from the same nine month period in 2008. Capital spending, net of dispositions, in the nine months ended September 30, 2009 included $230,877 for new glass containers, $196,654 for replacement equipment in the brewing operations, $124,722 for new vehicles and $56,900 for the Heritage Park Interpretive Brewery, opened earlier in the year.

### Financing Activities

Cash used in financing activities throughout the quarter increased by $929,078 primarily as a result of the repayment of the operating facility during the quarter. On a year-to-date basis, cash used in financing activities increased by $4,864,698 compared to the same nine months of 2008. The decrease is due to the repayment of the operating facility combined with the impact of the 2008 comparative amount having included $3,557,090 of proceeds from long term debt, and for which no debt was issued in 2009. These were partially offset by lower distributions in 2009, discussed later in this MD&A.

Big Rock has a $5,000,000 demand operating facility provided by ATB Financial which bears interest at prime plus one per cent, which is secured through a general assignment of Big Rock's assets. The balance drawn against the facility fluctuates depending on working capital requirements. At September 30, 2009, the balance owing on this facility was nil (December 31, 2008 - $1,246,194). The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios.

## Cash Distributions

**Cash Distributions are not guaranteed and will fluctuate with performance of the business.**

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

The amount of distributions declared depends upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins during seasons when sales volumes and earnings are traditionally low, debt repayments, capital expenditures and the actual cash amounts available for distribution by the Trust.

During the quarter ended September 30, 2009, the Trust distributed $1,610,878 ($0.28 per unit) to unit holders compared with $1,623,124 ($0.27 per unit) for the same three month period in 2008. The increase in distributions on a per unit basis reflects higher earnings from operations during the quarter. Distributions for the nine months ended September 30, 2009 totaled $4,859,826 ($0.82 per unit), compared to $5,829,129 (0.93 per unit) for the same period in 2008. Distributions in the first quarter of 2008 exceeded the Trust's operating earnings and were reduced in April 2008, to align with its operating and capital requirements.

The following cash distributions have been announced by the Trust to date in 2009:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Record Date** | **Distribution Date** | **Per Unit** | Record Date | Distribution Date | Per Unit |
| January | 31-Jan | 16-Feb | $0.09 | 31-Jan | 15-Feb | $0.13 |
| February | 28-Feb | 16-Mar | $0.09 | 28-Feb | 15-Mar | $0.13 |
| March | 31-Mar | 15-Apr | $0.09 | 31-Mar | 15-Apr | $0.13 |
| April | 30-Apr | 15-May | $0.09 | 29-Apr | 16-May | $0.09 |
| May | 31-May | 15-Jun | $0.09 | 31-May | 15-Jun | $0.09 |
| June | 30-Jun | 15-Jul | $0.09 | 30-Jun | 15-Jul | $0.09 |
| July | 31-Jul | 14-Aug | $0.09 | 29-Jul | 15-Aug | $0.09 |
| August | 31-Aug | 15-Sep | $0.09 | 31-Aug | 15-Sep | $0.09 |
| September | 30-Sep | 15-Oct | $0.10 | 30-Sep | 14-Oct | $0.09 |

On October 21, 2009, the Trust announced a distribution of $0.10 per unit to unitholders as of October 30, 2009, to be paid on November 16, 2009.

Over the long term, it is Big Rock's intention that 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, changes to non-cash working capital and amortization related expenses.

## CRITICAL ACCOUNTING ESTIMATES

### Returnable Glass Containers

Returnable glass containers are initially recorded at cost. In order to charge operations for wear and shrinkage, the cost of bottles is charged to operations over the estimated useful life of five years. The Trust has purchased $2,268,395 of returnable glass containers since converting to the Industry Standard Bottle in early 2002. Net book value of returnable glass containers as at September 30, 2009 is $762,811 compared to $759,223 at December 31, 2008.

**Stock-based compensation**

The Trust recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the option plan. Stock based compensation expense recognized during the quarters and nine months ended September 30, 2009 and 2008 were nil.

**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 the 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 indicators of impairment. If there are indicators of impairment, a recoverability test is done by performing a comparison of carrying value to the estimated undiscounted future net cash flows from the assets. 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 its net realizable value.

**Keg Deposits**

The Trust requires that customers pay a deposit for each keg purchased, which is subsequently refunded to customers via invoice credits or cash payments when kegs are returned and these deposits are reflected as a liability on the Trust's balance sheet. In the normal course of business there is a percentage of kegs that are never returned for refund. As a result the Trust performs an analysis based on factors such as total kegs produced, current inventory rates and average keg turnover. In addition, return percentages are calculated and tracked to estimate an average keg turnover rate. Together this information is used to estimate a reasonable keg deposit liability at each reporting date. Any adjustments required to the keg liability account are applied to revenues.

## RISKS RELATED TO THE BUSINESS AND 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 various other government authorities. 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. As such, the Trust has recognized future income tax expenses (recoveries) on their consolidated statements of net income, comprehensive income and undistributed income based on the temporary differences that exist at the balance sheet date and that are expected to reverse after the date that the taxation changes take effect. The asset or liability is measured using income tax rates that, at the balance sheet date, are expected to apply.
The Trust's principal financial instruments are its outstanding amounts drawn from its credit facilities, which, after cash flow from operations, are its main source of financing. Other financial assets and liabilities arising directly from its operations and Trust activities include cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long term debt, unit based compensation liability and distributions payable. The primary risks arising from the Trust's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, each of which are discussed as follows:

**Credit Risk and Management**

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Trust incurring a financial loss. The Trust has a concentration of credit risk because substantially all of its accounts receivable are from provincial liquor boards, under provincially regulated industry sale and payment terms. The Trust is not exposed to significant credit risk as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. Product sold outside of Canada is done so on a 'Cash on Delivery' basis with no credit risk.

Credit risks associated with the potential non-performance by financial instrument counterparties has been minimized through the careful selection of vendors, the development of long term vendor relationships and the selective use of written arrangements to guarantee supply and payment terms.

In addition, substantially all of Big Rock's accounts receivable are from provincial government liquor authorities, although the timing of receipts of large balances may vary significantly from period to period.

**Liquidity Risk and Management**

The Trust's principal sources of liquidity are its cash flows from operations and existing or new credit facilities. Liquidity risk is mitigated by maintaining banking facilities, continuously monitoring forecast and actual cash flows and, if necessary, adjusting levels of distribution to Unitholders and capital spending to maintain liquidity.

**Commodity Price Risk and Management**

The Trust is exposed to commodity price risk in the areas of utilities (primarily electricity and natural gas), malted barley, water, glass and aluminum, where fluctuations in the market price or availability of these items could impact the Trust's cash flow and production. To minimize the impact of this risk, the Trust enters into contracts which secure both supply and set pricing to manage the exposure to pricing and availability.

**Interest Rate Risk and Management**

The Trust is exposed to interest rate cash flow risk on its operating and credit facilities which bear interest at variable rates. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates. The Trust evaluates the policies surrounding interest rates on an as needed basis and 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.

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 23, 2009 that is available on www.sedar.com

## RELATED PARTY TRANSACTIONS

Related party transactions for the quarter include the engagement of a consultant, related to the Chief Executive Officer, to coordinate work on special projects undertaken by the Trust in the normal course of business. The value of transactions for the three and nine months ended September 30, 2009 totals $30,525 and $86,025 respectively, compared to $26,550 and $79,400 for the same three and nine month periods in 2008. All amounts have been recorded at the exchange amount.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at September 30, 2009 the Trust is a party to the following contracts:

On September 22, 2009 the Trust entered into an agreement for the purchase of two 550 hectolitre fermenting tanks for an approximate cost of $216,000. The tanks, which will be used to expand the storage capacity of the brewery, are to be delivered in the spring of 2010.

On June 19, 2009 the Trust entered into an agreement with ENMAX Energy Corporation to provide electricity for a period of three years beginning August 1st, 2009 and ending July 31, 2012 at a fixed rate of $0.074 per kilowatt hour.

In May, 2009 the Trust finalized its agreement with Direct Energy to provide natural gas at a fixed price of $6.45 per gigajoule for a two year period, ending June 30, 2010.

Big Rock has a contract with Rahr Malting Canada Ltd. to supply malt barley for the 2009 fiscal year, at a fixed price of $684 per metric tonne. The barley will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

## DISCLOSURE CONTROLS AND PROCEDURES

The Trust's management under the supervision of, and with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of Big Rock Brewery Operations Corp. (the administrator of the Trust), have designed disclosure controls and procedures, as defined under National Instrument 52 – 109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Trust in such reports is then accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Trust's management under the supervision of, and with the participation of the CEO and CFO, have designed and implemented internal controls over financial reporting ("ICFR"), as defined under NI 52-109. The Trust's management used the COSO Internal Control over Financial Reporting - Guidelines for Smaller Public Companies (2006) as its framework.

The process used involved four steps as follows: establishment of a foundation, which involved assessing the tone at the top, the organization structure and baseline of current internal controls; design and execution, which involved prioritizing risk, identifying controls and evaluation of control effectiveness; assess and report, which involved summarizing and reporting on the findings; and conclusion on controls supported by documented evidence.

The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with GAAP, focusing in particular on controls over information contained in the annual and interim financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in the Trust's controls over financial reporting from July 1, 2009 to September 30, 2009 that have materially affected or are reasonably likely to materially affect the Trust's internal control over financial reporting.

## ACCOUNTING STANDARDS ADOPTION

### Goodwill and Intangible Assets

Effective January 1, 2009 the Trust adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Section 3064 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". These sections establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. These changes had no material effect on the Trust's financial statements.

## FUTURE ACCOUNTING PRONOUNCEMENTS

### Business Combinations

In January 2009 the CICA issued Handbook Sections 1582, "Business Combinations" (Section 1582), 1601, "Consolidated Financial Statements" (Section 1601) and 1602, "Non-controlling Interests" (Section 1602). Section 1582 replaces CICA Handbook Section 1581, "Business Combinations", and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Section 1582, 1601 or 1602 at the same time. The Trust plans to adopt these standards effective January 1, 2010 and does not expect the adoption will have a material impact on the results of operations or financial position.

**International Financial Reporting Standards Update**

The Canadian Accounting Standards Board has confirmed that use of International Financial Reporting Standards (IFRS) will be required for fiscal years beginning on or after January 1, 2011 for profit-oriented publicly accountable entities. The Trust must be in a position to report its results and comparatives in accordance with IFRS beginning January 1, 2011.

The Trust has established a project plan to convert from current Canadian GAAP to IFRS. The project plan consists of three phases: diagnose the impact of conversion, develop the implementation plan, and implementation.

**Phase I: Diagnose the Impact of Conversion**

The goal of this phase was to identify the impacts and changes required in accounting systems, processes, procedures, accounting policies and internal controls with the conversion from Canadian GAAP to IFRS. With the assistance of external consultants, the Trust has completed the diagnosis phase, which included estimating the financial and systems impact and defining requirements for financial information. A preliminary roadmap has been developed to assist in the conversion to IFRS. In addition, personnel from the Trust have been sent on outside training to gain a better understanding of the impacts on the conversion.

**Phase II: Develop the Implementation Plan**

This phase consists of designing and developing a detailed plan for implementing the changes required with conversion to IFRS. It addresses changes in systems, processes, procedures, polices and internal controls that have to be implemented. The detailed implementation plan requires a comprehensive analysis of the impact of the IFRS differences identified in the initial diagnostic phase. An Implementation Plan Team has been created and has been developing the implementation plan. The Trust has completed an in depth review of significant areas of differences between Canadian GAAP and IFRS, focusing on those highlighted in the diagnostic analysis. These areas include policy decisions around property, plant & equipment (PP&E), PP&E componentization, impairment of assets and the determination of cash generating units. Preliminary analysis and evaluations around inventory, revenues and share based payments have also been completed. The Trust expects to complete the detailed implementation plan by November 30, 2009.

**Phase III: Implementation**

During the implementation phase, the Trust will execute the required changes to business processes, procedures, financial systems, accounting policies, internal controls over financial reporting, and the impact on business activities including the effect, if any, on covenants and compensation arrangements. At this time, the impact on financial statements is not reasonably determinable.

**Income Taxes**

In 2007 legislation was substantively enacted that effectively imposes an income tax for income trusts for taxation years beginning in 2011. As such, the Trust has recognized future income tax expenses (recoveries) on its consolidated statement of net income, comprehensive income and undistributed income based on the temporary differences that exist at the balance sheet date and that are expected to reverse after the date that the taxation changes take effect. The asset or liability is measured using income tax rates that, at the balance sheet date, are expected to apply.

## OUTLOOK

Big Rock expects consumer demand for premium craft brewery products to remain positive for the balance of 2009. In response to this heightened demand, we will continue to invest in focused marketing opportunities to create brand awareness and sustained volume growth throughout the remainder of the year and into 2010.

In addition, Big Rock will continue to monitor and assess the selling prices on certain of its products, focus on operating efficiencies and actively manage its operating costs – all of which are intended to maximize profit margins.

## FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Trust. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

All statements, other than statements of historical fact included in the MD&A, may be forward-looking information. Forward-looking information are not facts, but only predictions and generally can be identified by the use of statements that include words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are not guarantees of our future performance and are subject to known and unknown risks, uncertainties and other factors that may cause Big Rock's actual results or events to differ materially from those anticipated in such forward-looking statements.

Big Rock believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular this MD&A contains forward-looking statements pertaining to the following:

- expected volumes;
- projections of market prices and costs;
- treatment under governmental regulatory and taxation regimes; and
- supply and demand of Big Rock's products.

With respect to forward-looking statements listed above and contained in this MD&A, Big Rock has made assumptions regarding, among other things, the following:

- volumes in the current fiscal year will remain constant or will increase;
- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates; and
- there will be no supply issues with Big Rock's vendors.

Big Rock's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Trust's 2008 annual information form (as filed on SEDAR on March 23, 2009). Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Big Rock does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

## ADDITIONAL INFORMATION

Additional information on the Trust, including the Information Circular dated April 3, 2009 and the Annual Information Form for the year ended December 31, 2008, can be found on SEDAR at www.sedar.com

Information about Big Rock can also be found on Big Rock's corporate website at http://bigrockbeer.com

# CONSOLIDATED BALANCE SHEETS

| | September 30, 2009 | December 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (note 2) | **$ 1,185,896** | $ - |
| Accounts receivable (note 2) | **3,882,341** | 2,595,977 |
| Inventories (note 3) | **4,188,736** | 3,694,083 |
| Income taxes receivable | **38,577** | 38,577 |
| Prepaid expenses and other | **405,937** | 354,779 |
| | **9,701,487** | 6,683,416 |
| Property, plant and equipment (note 4) | **28,342,812** | 28,940,186 |
| Deferred charges and other assets | **21,397** | 276,131 |
| | **28,364,209** | 29,216,317 |
| **Total assets** | **$ 38,065,696** | $ 35,899,733 |
| **LIABILITIES AND UNITHOLDERS' EQUITY** | | |
| **Current** | | |
| Bank indebtedness (notes 2 and 5) | **$ -** | $ 1,246,194 |
| Accounts payable and accrued liabilities (note 2) | **4,141,878** | 2,887,571 |
| Distributions payable (notes 2 and 8) | **601,448** | 541,471 |
| | **4,743,326** | 4,675,236 |
| Long term debt (note 5) | **3,557,090** | 3,557,090 |
| Future income taxes | **2,828,120** | 2,671,007 |
| | **11,128,536** | 10,903,333 |
| **Unitholders' equity** | | |
| Trust unitholders' capital (note 6) | **18,431,227** | 18,431,227 |
| Contributed surplus | **740,754** | 740,754 |
| Undistributed income | **7,765,179** | 5,824,419 |
| | **26,937,160** | 24,996,400 |
| Commitments (note 11) | | |
| | **$ 38,065,696** | $ 35,899,733 |

See accompanying notes to consolidated financial statements

| | | |
|---|---|---|
| On behalf of the Board: | E.E. McNally | Gord Tallman |
| | Director | Director |

## CONSOLIDATED STATEMENTS OF NET INCOME, COMPREHENSIVE INCOME AND UNDISTRIBUTED INCOME

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| **Revenue** | | | | |
| Net Sales | **$ 15,413,350** | $ 10,331,114 | **$ 35,703,110** | $ 28,483,675 |
| Cost of sales | **5,910,356** | 4,122,403 | **13,681,331** | 11,215,406 |
| **Gross profit** | **9,502,994** | 6,208,711 | **22,021,779** | 17,268,269 |
| **Expenses** | | | | |
| Selling Expenses | **4,282,498** | 3,380,088 | **10,743,141** | 9,041,592 |
| General and Administrative | **1,176,629** | 818,685 | **2,877,225** | 3,140,677 |
| Interest on Long Term Debt (note 5) | **31,381** | 44,829 | **85,127** | 64,934 |
| Interest on Bank Indebtedness (note 5) | **2,109** | 9,103 | **25,425** | 62,980 |
| Amortization | **497,383** | 505,897 | **1,483,719** | 1,435,417 |
| | **5,990,000** | 4,758,602 | **15,214,637** | 13,745,600 |
| Other Income | **61,613** | 57,053 | **210,750** | 159,576 |
| **Income before income taxes** | **3,574,607** | 1,507,162 | **7,017,892** | 3,682,245 |
| Future income tax expense | **498,589** | 89,777 | **157,329** | 259,702 |
| **Net income and comprehensive income for the period** | **3,076,018** | 1,417,385 | **6,860,563** | 3,422,543 |
| Undistributed income, beginning of period | **6,360,016** | 6,122,207 | **5,824,419** | 8,083,722 |
| Cash distributions declared (note 8) | **(1,670,855)** | (1,623,574) | **(4,919,803)** | (5,590,247) |
| Undistributed income, end of period | **$ 7,765,179** | $ 5,916,018 | **$ 7,765,179** | $ 5,916,018 |

See accompanying notes to consolidated financial statements

**Net income per unit:**

| | | | | |
|---|---|---|---|---|
| Basic and diluted | **$ 0.51** | **$ 0.24** | **$ 1.14** | **$ 0.57** |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| **OPERATING ACTIVITIES** | | | | |
| Net income for the period | **$ 3,076,018** | $ 1,417,385 | **$ 6,860,563** | $ 3,422,543 |
| Items not affecting cash | | | | |
| Amortization | **497,383** | 505,897 | **1,483,719** | 1,435,417 |
| (Gain)/Loss on sale of assets | **(4,395)** | - | **(10,941)** | 43,874 |
| Future income tax expense | **498,589** | 89,777 | **157,113** | 259,702 |
| | **4,067,595** | 2,013,059 | **8,490,454** | 5,161,536 |
| Net change in non-cash working capital related to operations (note 9) | **1,132,664** | 1,066,127 | **(577,868)** | (3,964,771) |
| **Cash provided by operating activities** | **5,200,259** | 3,079,186 | **7,912,586** | 1,196,765 |
| **FINANCING ACTIVITIES** | | | | |
| Distribution payments | **(1,610,878)** | (1,623,124) | **(4,859,826)** | (5,829,129) |
| Bank indebtedness | **(2,164,247)** | (1,265,423) | **(1,246,194)** | 922,727 |
| Cash received on exercise of options | **-** | 42,500 | **-** | 107,990 |
| Long term debt | **-** | - | **-** | 3,557,090 |
| **Cash used in financing activities** | **(3,775,125)** | (2,846,047) | **(6,106,020)** | (1,241,322) |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | **(234,671)** | (218,186) | **(641,202)** | (721,681) |
| Proceeds from sale of equipment | **4,364** | - | **32,049** | 14,833 |
| Deferred charges and other assets | **(8,931)** | (14,953) | **(11,517)** | (46,977) |
| **Cash used in investing activities** | **(239,238)** | (233,139) | **(620,670)** | (753,825) |
| **Net increase (decrease) in cash** | **1,185,896** | - | **1,185,896** | (798,382) |
| Cash and cash equivalents, beginning of period | **-** | - | **-** | 798,382 |
| **Cash and cash equivalents, end of period** | **$ 1,185,896** | $ - | **$ 1,185,896** | $ - |

See accompanying notes to consolidated financial statements

| **Supplemental disclosure of cash flow information:** | | | | |
|---|---|---|---|---|
| Cash Interest paid | **$ 33,490** | $ 53,932 | **$ 110,552** | $ 127,914 |

## Notes to Consolidated Financial Statements
(unaudited)

### 1. DESCRIPTION OF BUSINESS

Big Rock Brewery Income Trust ("Big Rock" or the "Trust") is a regional producer of premium, all-natural craft beers sold in nine provinces and three territories in Canada, as well as exported to Korea and to Canadian Embassies around the world. Big Rock trust units are listed on The Toronto Stock Exchange. The consolidated financial statements include the accounts of the Trust, Big Rock Brewery Limited Partnership ("the Partnership") and Big Rock Brewery Operations Corporation.

The Trust experiences seasonal fluctuations in sales and earnings with the second and third quarters typically being the highest in sales and earnings and the first and fourth being the lowest.

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, 2008. 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, 2008, except as described below.

#### Changes in Accounting Policies

#### Goodwill and Intangible Assets

Effective January 1, 2009 the Trust adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Section 3064 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". These sections establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. These changes had no material effect on the Trust's financial statements.

#### Future Accounting Pronouncements

#### Business Combinations

In January 2009, the CICA issued Handbook Sections 1582, "Business Combinations" ("Section 1582"), 1601, "Consolidated Financial Statements" ("Section 1601") and 1602, "Non-controlling Interests" ("Section 1602"). Section 1582 replaces CICA Handbook Section 1581, "Business Combinations", and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Section 1582, 1601 or 1602 at the same time. The Trust plans to adopt these standards effective January 1, 2010 and does not expect the adoption will have a material impact on the results of operations or financial position.

### International Financial Reporting Standards

On March 11, 2008, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. The Trust's first year end under IFRS will be December 31, 2011. The transition date for the Trust will be January 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Trust for the year ended December 31, 2010.

It is not possible at this time to quantify the financial impact of the transition to IFRS on the Trust's consolidated financial statements or to determine the impact of the changeover on the accounting system, disclosure controls and procedures and internal controls over financial reporting.

### Income Taxes

In 2007, legislation was substantively enacted that effectively imposes an income tax for income trusts for taxation years beginning in 2011. As such, the Trust has recognized future income tax expenses (recoveries) on its consolidated statement of net income, comprehensive income and distributed income based on the temporary differences that exist at the balance sheet date and that are expected to reverse after the date that the taxation changes take effect. The asset or liability is measured using income tax rates that, at the balance sheet date, are expected to apply.

## 2. FINANCIAL INSTRUMENTS and FINANCIAL RISK MANAGEMENT

The Trust's principal financial instruments are its outstanding amounts drawn from its credit facilities, which, after cash flow from operations, are its main source of financing. Financial assets and liabilities arising directly from its operations and Trust activities include cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long term debt, unit based compensation liability and distributions payable. The primary risks arising from the Trust's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk. The Trust's financial instruments and their designations are:

| Classification of Financial Instrument | Designated as |
|---|---|
| Cash and cash equivalents | Held for trading |
| Accounts receivable | Loans and receivables |
| Bank indebtedness | Other financial liabilities |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Long-term debt | Other financial liabilities |
| Unit based compensation liability | Other financial liabilities |
| Distributions payable | Other financial liabilities |

### Fair Value of Financial Assets and Financial Liabilities

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", "loans and receivables" or "other financial liabilities" as defined by CICA Section 3855.

Financial assets and liabilities classified as "held for trading" are measured at fair value with changes in fair value recognized in income. Financial assets classified as "available for sale" are measured at fair value with changes in fair value recognized in other comprehensive income until the asset is removed from the consolidated balance sheets. Financial assets classified as "held to maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest rate method of amortization.

Fair value of financial instruments are determined by reference to quoted bid or asking price, as appropriate, in active markets at reporting dates. In the absence of an active market, the Trust determines fair value by using valuation techniques that refer to observable market data or estimated market prices. These include comparisons with similar instruments that have observable market prices, option pricing models and other standard valuation techniques. Fair values determined using valuation models require the use of assumptions about the amount and timing of estimated future cash flows and discount rates. In making these assumptions, Big Rock looks primarily to readily observable external market input factors such as interest rate yield curves, currency rates and price and rate volatilities, as applicable.

**Non-derivative financial assets and liabilities**

Cash and cash equivalents are recorded at fair market value. Fair values for accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and distributions payable are not materially different from their carrying amounts due to their short-term nature.

The fair value of the Trust's long-term debt was estimated based on quoted market prices for the same or similar debt instruments and, when such information was not available, by discounting future payments of interest and principal at estimated interest rates available to entities comparable to Big Rock.

The carrying amounts and fair values of the long-term debt are as follows:

| | As at | | | |
|---|---|---|---|---|
| | **September 30, 2009** | | December 31, 2008 | |
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| Term financing | **$ 3,557,090** | **$ 3,740,349** | $ 3,557,090 | $ 3,779,279 |

**Credit Risk and Management**

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Trust incurring a financial loss. The Trust has a concentration of credit risk because substantially all of its accounts receivable are from provincial liquor boards, under provincially regulated industry sale and payment terms. The Trust is not exposed to significant credit risk as payment in full is typically collected by provincial liquor boards at the time of sale and receivables are with government agencies. Product sold outside of Canada is done so on a 'Cash on Delivery' basis with no credit risk.

Credit risks associated with the potential non-performance by financial instrument counterparties has been minimized through the careful selection of vendors, the development of long term vendor relationships and the selective use of written arrangements to guarantee supply and payment terms.

**Liquidity Risk and Management**

The Trust's principal sources of liquidity are its cash flows from operations and existing or new credit facilities. Liquidity risk is mitigated by maintaining banking facilities, continuously monitoring forecast and actual cash flows and, if necessary, adjusting levels of distribution to Unitholders and capital spending to maintain liquidity.

**Commodity Price Risk and Management**

The Trust is exposed to commodity price risk in the areas of utilities (primarily electricity and natural gas), malted barley, water, glass and aluminum, where fluctuations in the market price or availability of these items could impact the Trust's cash flow and production. To minimize the impact of this risk, the Trust enters into contracts which secure supply and set pricing to manage the exposure to availability and pricing.

**Interest Rate Risk and Management**

The Trust is exposed to interest rate cash flow risk on its operating and credit facilities which bear interest at variable rates. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates. The Trust evaluates the policies surrounding interest rates on an as needed basis and 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 and Management**

The Trust currently relies on only a few foreign suppliers providing small amounts of goods 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 three and nine months ended September 30, 2009:

| $ (unless otherwise stated) | | Impact on net earnings | | | | As at | |
|---|---|---|---|---|---|---|---|
| | **Increase or decrease** | Three months ended September 30 | | Nine months ended September 30 | | September 30 | December 31 |
| | | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| Interest rate change | **75 bps** | **(250)** | (399) | **(828)** | (902) | **(26,678)** | (36,025) |
| Foreign exchange (USD) | **$0.03** | **57** | (29) | **478** | (142) | **(1,566)** | (1,253) |

## 3. INVENTORIES

| $ (unless otherwise stated) | **September 30, 2009** | December 31, 2008 |
|---|---|---|
| Raw materials and returnable glass containers | 1,065,245 | 914,560 |
| Brews in progress | 760,462 | 536,939 |
| Finished product | 1,710,211 | 1,588,786 |
| Consignment product | 85,496 | 96,208 |
| Promotional and resale goods | 567,322 | 557,590 |
| | 4,188,736 | 3,694,083 |

## 4. PROPERTY, PLANT & EQUIPMENT

| | **September 30, 2009** | | |
|---|---|---|---|
| $ (unless otherwise stated) | **Cost** | **Accumulated Amortization** | **Net Book Value** |
| Land | 2,516,234 | - | 2,516,234 |
| Buildings | 11,750,661 | 2,906,910 | 8,843,751 |
| Production Equipment | 33,148,041 | 16,996,807 | 16,151,234 |
| Vehicles | 1,020,079 | 800,704 | 219,375 |
| Furniture & Fixtures | 2,289,540 | 1,677,322 | 612,218 |
| | 50,724,555 | 22,381,743 | 28,342,812 |

| | December 31, 2008 | | |
|---|---|---|---|
| $ (unless otherwise stated) | **Cost** | **Accumulated Amortization** | **Net Book Value** |
| Land | 2,516,234 | - | 2,516,234 |
| Buildings | 11,432,602 | 2,677,618 | 8,754,984 |
| Production Equipment | 32,748,898 | 16,002,173 | 16,746,725 |
| Vehicles | 975,869 | 795,735 | 180,134 |
| Furniture & Fixtures | 2,260,115 | 1,518,006 | 742,109 |
| | 49,933,718 | 20,993,532 | 28,940,186 |

## 5. BANK INDEBTEDNESS and LONG TERM DEBT

Big Rock has a $5,000,000 demand operating facility provided by ATB Financial (“ATB”) which bears interest at prime plus one percent. It is a revolving facility which is used to fund working capital requirements and allows for borrowing, repayment, and additional borrowing up to the amount specified as necessary. The balance outstanding on this facility as at September 30, 2009 was nil ($700,000 at December 31, 2008). Also included in bank indebtedness are bank account overdrafts totaling nil at September 30, 2009 ($546,194 at December 2008). 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 September 30, 2009 and December 31, 2008, Big Rock was in compliance with all of its debt covenants. The effective interest rate for three months ended September 30, 2009 was 3.28% (three months ended September 30, 2008 – 4.75%). For the nine months ending September 30, 2009 the effective interest was 2.94% (nine months ending September 30, 2008 - 4.83%)

The Trust has term financing in the amount of $3,557,090, provided by ATB at prime plus one and one quarter percent, payable in full on April 30, 2011. Interest is payable monthly and collateral for this borrowing is a general assignment of Big Rock's assets. The effective interest rate for the three months ended September 30, 2009 was 3.53% (three months ended September 30, 2008 – 5.00%). For the nine months ending September 30, 2009 the effective interest was 3.19% (nine months ending September 30, 2008 - 5.08%).

## 6. ISSUED AND OUTSTANDING TRUST UNITS

| $ thousands (unless otherwise stated) | # of Units | $ Amount |
|---|---|---|
| Balance as at December 31, 2008 | 6,016,570 | 18,431 |
| Units cancelled (returned to treasury) | (1,892) | - |
| Balance as at September 30, 2009 | **6,014,678** | **18,431** |

### Unit Based Compensation Plan

During the three and nine months ended September 30, 2009, no UARs were issued or cancelled and 634,250 are outstanding (at September 30, 2008 - 634,250). As at September 30, 2009 and 2008, the trading price of the Trust units was less than the exercise price of the UARs, thus no liability was recorded.

### Trust Unit Options

During the quarter ending September 30, 2009 there were no options granted or cancelled (during the quarter ending September 30, 2008, 5,000 options were exercised and nil cancelled). During the nine months ended September 30, 2009, no options were granted, 9,000 were cancelled and 2,900 expired (nine months ended September 30, 2008 - nil granted, 13,700 exercised, 900 cancelled). As at September 30, 2009, there were 486,600 unit options outstanding and exercisable at a weighted average price of $16.91.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | # of Units | Weighted Average Exercise Price | # of Units | Weighted Average Exercise Price |
| Balance as at December 31 | 498,500 | $ 16.88 | 539,100 | $ 16.57 |
| Cancelled | (9,000) | 16.95 | (900) | 6.70 |
| Exercised | - | - | (8,700) | 7.53 |
| Balance as at March 31 | 489,500 | 16.88 | 529,500 | 16.73 |
| Expired | (2,900) | 12.65 | - | - |
| Balance as at June 30 | 486,600 | 16.91 | 529,500 | 16.73 |
| Exercised | - | - | (5,000) | 8.50 |
| Balance as at September 30 | **486,600** | **$ 16.91** | 524,500 | $ 16.81 |

## 7. 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. The borrowing facilities have financial tests and other customary covenants for the types of facilities which must be met at each reporting date.

Over the long term it is management's intention that Big Rock's distributions to its Unitholders are funded by cash flow from operating activities with the remaining cash from operations 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 a given period. Net income may not be an accurate indicator of the Trust's liquidity, as it may be comprised of significant items not involving cash including future income tax and amortization related expenses.

## 8. CASH DISTRIBUTIONS PAYABLE

The Trust declared distributions of $1,670,855 for the three months ended September 30, 2009 (2008 - $1,623,574), and $4,919,803 for the nine months ending September 30, 2009 (2008 - $5,590,247). Distributions of $601,448 were paid on October 15, 2009 in respect of earnings for the month of September 2009.

## 9. NET CHANGE IN NON-CASH WORKING CAPITAL

| $ (unless otherwise stated) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Accounts receivable | **593,497** | 968,323 | **(1,286,364)** | (809,990) |
| Inventories | **(488,839)** | (78,670) | **(494,653)** | (810,092) |
| Prepaid expenses and other | **193,352** | 104,162 | **(51,158)** | (192,153) |
| Accounts payable and accrued liabilities | **834,654** | 247,721 | **1,254,307** | 1,278,090 |
| Income taxes receivable (payable) | **-** | (175,409) | **-** | (3,430,626) |
| Total change in non-cash working capital | **1,132,664** | 1,066,127 | **(577,868)** | (3,964,771) |

## 10. RELATED PARTY TRANSACTIONS

Related party transactions for the quarter include the engagement of a consultant, related to the Chief Executive Officer, to coordinate work on special projects undertaken by the Trust in the normal course of business. The value of transactions for the three and nine months ended September 30, 2009 totals $30,525 and $86,025 respectively, compared to $26,550 and $79,400 for the same three and nine month periods in 2008. As at September 30, 2009, accounts payable and accrued liabilities include $12,627 (December 31, 2008 – $9,800) due to the consultant. All amounts have been recorded at the exchange amount.

## 11. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at September 30, 2009 the Trust is a party to the following contracts:

On September 22, 2009 the Trust entered into an agreement for the purchase of two 550 hectolitre fermenting tanks for an approximate cost of $216,000. The tanks, which will be used to expand the storage capacity of the brewery, are to be delivered in the spring of 2010.

On June 19, 2009 the Trust entered into an agreement with ENMAX Energy Corporation to provide electricity for a period of three years beginning August 1st, 2009 and ending July 31, 2012 at a fixed rate of $0.074 / kWh.

In May, 2009 the Trust locked in the February 26, 2009 agreement with Direct Energy to provide natural gas at a fixed price of $6.45 per gigajoule for a period of two years, ending June 30, 2010.

Big Rock has a contract with Rahr Malting Canada Ltd. to supply malt barley for the 2009 fiscal year, at a fixed price of $684 per metric tonne. The barley will be used in the brewery's normal course of business, and delivered, as needed over a reasonable period of time, in quantities to ensure production targets are met.

## 12. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with current year's financial statement presentation.