



## BIG ROCK BREWERY INCOME TRUST QUARTERLY REPORT

### FIRST QUARTER 2010 HIGHLIGHTS

\$ thousands (unless otherwise stated)	Three months ended March 31	
	2010	2009
Sales volumes (hl)	49,174	39,482
Net revenue	10,545	8,203
Net income	1,660	1,384
Earnings per unit (basic and diluted)	\$ 0.27	\$ 0.23

### 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 months ended March 31, 2010, as compared to the same period in 2009. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes as at and for the three months ended March 31, 2010 (the "Financial Statements") and should also be read in conjunction with the audited consolidated financial statements and MD&A contained in our 2009 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 thousands of Canadian dollars, unless otherwise stated.

The MD&A is dated May 6, 2010.

### INDUSTRY TRENDS AND INDICATORS

Industry data for the first quarter 2010 was not available at the time of this MD&A.

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

\$ thousands (unless otherwise stated)	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volumes (hl)	49,174	52,110	70,850	57,378	39,482	44,306	50,521	48,195
Net sales revenue	10,545	10,529	15,413	12,087	8,203	9,150	10,331	10,436
Net earnings	1,660	569	3,076	2,400	1,384	1,533	1,417	1,537
Earnings per unit (basic and diluted)	\$ 0.27	\$ 0.09	\$ 0.51	\$ 0.40	\$ 0.23	\$ 0.24	\$ 0.24	\$ 0.26
Distributions per unit	\$ 0.30	\$ 0.30	\$ 0.28	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27

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 selected quarterly information is consistent with these seasonal expectations.

## RESULTS OF OPERATIONS

In 2010, Big Rock began its 25th year of operations, which marked an important milestone for the brewery. Management believes that building on the momentum demonstrated by the brewery's strong financial performance in 2009 will provide a solid foundation for continued success.

Big Rock's consolidated net earnings for the three months ended March 31, 2010, increased to \$1,660 compared to \$1,384 for the same three month period of 2009. 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.

### Gross Profit

\$ thousands (unless otherwise stated)	Three Months Ended March 31		
	2010	2009	Change
Net sales revenue	10,545	8,203	2,342
Cost of sales	4,019	3,249	770
Gross profit	6,526	4,954	1,572
Sales volumes (hectoliters or hl)	49,174	39,482	9,692

Net sales revenues include product (beer and cider) and co-packing revenues. As noted earlier, Big Rock experiences seasonal fluctuations in sales volumes, net sales revenue and net earnings with the second and third quarters typically being the highest and the first and fourth quarters being the lowest. These seasonal variations are dependent on numerous factors, including weather, timing of community events and consumer behavior. Results for the first quarter of 2010 are consistent with these seasonal trends and managements' expectations.

For the three months ended March 31, 2010, net sales revenue increased \$2,342 (28.6%) compared to the same period of 2009. The increase was primarily due to increased sales volumes across all brands combined with the impact of price increases announced earlier in the quarter. The price increase was the brewery's first since January 2008 and was limited to certain products in select regions, and was the result of higher operating costs in these segments of the business.

For the quarter ended March 31, 2010 sales volumes, in hectoliters, were up 24.5% compared to the same period of 2009. 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. Alberta and British Columbia led the increase, contributing 9,114 hl of the 9,692 hl total year-to-date growth. Sales volumes in the remaining provinces and territories during the first quarter of 2010 also showed positive trends compared with the same period in 2009, although on smaller scales.

For the three months ended March 31, 2010, cost of sales increased by \$770 (23.7%) compared to the same period last year. The increase in the total cost of sales was primarily attributed to additional ingredients, glass and packaging materials, and labour charges associated with the higher production volumes, which added approximately \$635 in aggregate costs compared with the same three months of 2009. In addition, cost of sales for the three months ended March 31, 2010, included \$135 for amounts accrued under the Trust's incentive plan, under which there were no similar amounts accrued in the first quarter of 2009.

On a per hectolitre basis, cost of sales for the three months ended March 31, 2010 decreased by \$0.56 per hl (0.7%) compared to the same three month period of 2009. The decrease was primarily attributable to overhead and staffing costs, which are somewhat "fixed" in nature and do not grow proportionately with production. Partially offsetting these decreases was the impact of the incentive amount discussed earlier, which added approximately \$2.62 per hl, as well as amounts relating to additional ingredients required to meet production volumes. Packaging costs for all products remained consistent with those of the same three month period last year.

Gross profit for the three months ended March 31, 2010 increased to \$6,526 (61.9%) from \$4,954 (60.4%) for the same quarter in 2009. Adjusting for the incentive amounts accrued in the first quarter of 2010, gross profits for the three months ended March 31, 2010 would have been 63.2%, compared with 60.4% for the first three months of 2009. The increase reflects higher sales volumes, price increases, combined with continued focus on production costs.

## Selling, General and Administrative expenses

\$ thousands (unless otherwise stated)	Three Months Ended March 31		
	2010	2009	Change
Selling:			
Delivery and distribution	867	717	150
Salaries, point-of-sale ("POS") materials and promotional expenses	2,418	1,910	508
Total	3,285	2,627	658
Selling costs per hectolitre	\$ 66.80	\$ 66.54	\$ 0.26
General and Administrative:			
Salaries and benefits	588	355	233
Other	732	396	336
Total general and administrative expenses	1,320	751	569
% of net sales revenue	12.5%	9.2%	3.3%

Total delivery and distribution costs increased as a result of additional volumes delivered. However, on a per hectoliter basis, for the three months ended March 31, 2010, delivery and distribution costs have decreased \$0.53/hl (2.9%) compared with the same period last year. The decrease was primarily driven by lower fuel surcharges than were charged in 2009.

For the three months ended March 31, 2010, selling expenses, which comprised primarily of salaries and promotional materials, increased \$508 over the same quarter last year. The increase was due primarily to amounts accrued under the Trust's incentive plan (\$150). In addition, increased salaries (\$48) resulting from additional sales staff hired in 2009, promotional amounts relating to the 25<sup>th</sup> year of operations of the brewery (\$212), charges relating to damaged finished goods inventory (\$78), and additional POS merchandise purchased (\$20), added to the growth in selling costs. On a per hectolitre basis, selling costs remained consistent with those of the same three month period last year.

General and administration expenses consist primarily of salaries and benefits, and other costs. For the three months ended March 31, 2010, salaries and benefits increased due to amounts accrued under the previously discussed incentive plan (\$119), additional staff hired during 2009 (\$35) and severance costs (\$38), for which no amount was recorded in the same quarter of 2009. In addition, salaries and benefits amounts recorded in the first quarter of 2010 included a charge of \$46 for stock based compensation associated with certain unit appreciation rights ("UAR's") for which the trading price of the Trust units exceeded the exercise price of those UAR's. For the three months ended March 31, 2009, the trading price of the Trust units did not exceed the exercise price on any outstanding UARs, accordingly no similar amount was recorded.

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 months ended March 31, 2010, 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, which is discussed later in this MD&A.

## Interest

	Three Months Ended March 31		
	2010	2009	Change
\$ thousands (unless otherwise stated)			
Interest on long-term debt	34	28	6
Interest on bank indebtedness	—	14	(14)
Total	34	42	(8)
Effective interest rate	3.58% to 3.83%	2.92% to 3.17%	

The principal amount of long-term debt and bank indebtedness was \$3,770 as at March 31, 2010 less than the \$5,076 balance outstanding as at March 31, 2009. The decline in interest expense, for the three months ended March 31, 2010, reflects lower average balances drawn on the operating facility compared to the same period last year. The interest rates applicable to all loans and borrowings are based on ATB Financial (“ATB”) prime. The impact of lower balances was partially offset by an increase in the ATB prime rate charged on all borrowings. The balance on the term loan remained unchanged.

## Amortization

	Three Months Ended March 31		
	2010	2009	Change
\$ thousands (unless otherwise stated)			
Total	331	482	(151)

For the three months ended March 31, 2010, amortization expense decreased by \$151 compared with the same period last year, primarily as a result of \$110 of current amortization being included in ending inventory on the balance sheet. Adjusting for this amount, which commenced in the current quarter, amortization was consistent with amounts recorded in the first three months of 2009.

## Other income

	Three Months Ended March 31		
	2010	2009	Change
\$ thousands (unless otherwise stated)			
Total	80	73	7

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 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 March 31		
	2010	2009	Change
\$ thousands (unless otherwise stated)			
Future income tax recovery	(24)	(259)	235

During the first quarter, the Trust recorded future income tax recovery of \$24 compared to \$259 in the same period last year. The income tax provision represents 14.0% of income before taxes, adjusted for distributions paid. This differs from the statutory rate of 28.26% due to 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.

## FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Balance Sheets from December 31, 2009 to March 31, 2010:

\$ thousands (unless otherwise stated)	Increase/ (Decrease)	Primary factors explaining change
Cash	(728)	Decreased cash from operations
Accounts receivable	(662)	Primarily due to collection of 2009 year-end amounts
Inventories	827	Primarily in finished product
Prepaid expenses and other	114	Deposits on community sponsorships
Property, plant and equipment	(132)	Capital asset additions, net of amortization
Deferred charges and other assets	(37)	Reclassification to property, plant and equipment
Bank indebtedness	213	Decreased cash from operations
Accounts payable and accrued liabilities	(999)	Primarily due to payment of 2009 year-end amounts
Future income taxes	(24)	Tax effect of change in capital assets

## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

\$ thousands (unless otherwise stated)	March 31, 2010	December 31, 2009
Cash	\$ —	\$ 728
Total debt, including bank indebtedness	3,770	3,557
Unitholders' equity:		
Unitholders' capital	18,809	18,431
Contributed surplus	702	741
Undistributed income	6,360	6,529
Total unitholders' equity	25,881	25,701
Total capitalization (total debt plus unitholders' equity)	29,661	29,258
Total debt-to-capitalization ratio	12.7%	12.2%

## 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 March 31, 2010 and December 31, 2009, 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 March 31, 2010, there were 6,036,878 issued and outstanding trust units.

\$ thousands (unless otherwise stated)	# of units	\$ Amount
Balance as at December 31, 2009	6,014,678	18,431
Units issued upon exercise of options	22,200	378
Balance as at March 31, 2010	6,036,878	18,809

As at May 6, 2010, there were 6,049,578 issued and outstanding trust units. The trust units trade on the Toronto Stock Exchange under the symbol BR:UN. The closing price of the shares on May 6, 2010 was \$15.26 per unit. Based upon 6,049,578 issued units, the Trust has an approximate market capitalization of \$92.3 million.

A total of 603,688 stock options to purchase units (being 10% of all outstanding units) are available for grants under the Option Plan. As at March 31, 2010 a total of 314,900 stock options were outstanding and expire at various dates up to February 2012 at exercise prices that range from \$15.26 to \$19.07 per unit.

	2010		2009	
	# of Units	Weighted Average Exercise Price	# of Units	Weighted Average Exercise Price
Balance as at December 31	385,600	\$ 17.10	498,500	\$ 16.88
Cancelled	(48,500)	\$ 16.94	(9,000)	\$ 16.95
Exercised	(22,200)	\$ 15.26	—	—
Balance as at March 31	314,900	\$ 17.26	489,500	\$ 16.88

As at May 6, 2010, there were a total of 302,200 unit options outstanding.

## Cash Flows

### Cash Provided by Operating Activities

Cash provided by operating activities for the quarter ended March 31, 2010, totaled \$799 compared to \$1,506 for the same period last year. The decrease was due primarily to the payment of 2009 incentive amounts and other year-end operating payables, which consumed approximately \$1,214 of cash during the quarter. This was partially offset by \$276 of higher net income for the first quarter of 2010 compared to same three month period last year.

### Investing Activities

Capital spending, net of dispositions, was \$272 in the first quarter of 2010 compared with \$155 for the same period last year. Capital spending, net of dispositions, for the three months ended March 31, 2010 included \$86 for new vehicles, \$67 for new kegs, \$63 for production equipment in the brewing operations, \$22 for leasehold improvements to the brewery's buildings, \$20 for new glass containers and \$14 for furniture and equipment.

### Financing Activities

Cash used in financing activities throughout the quarter decreased by \$96 primarily as a result of higher distributions (\$183) in 2010 compared with the same period last year. Partially offsetting this amount were additional proceeds (\$339) received from the exercise of employee stock options, originally issued in February 2007.

On April 30, 2010, Big Rock renewed its \$5,000 demand operating facility with ATB for a term of three years. The facility is secured through a general assignment of Big Rock's assets and bears interest at prime plus one per cent. The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. Other than the term, all conditions imposed on the facility remained unchanged on renewal.

The balance drawn against the facility fluctuates depending on working capital requirements. At March 31, 2010, the balance owing on this facility, net of cash amounts, was \$213 (December 31, 2009 - nil).

### 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 March 31, 2010, the Trust distributed \$1,807 (\$0.30 per unit) to unitholders compared with \$1,624 (\$0.27 per unit) for the same three month period in 2009. The increase in distributions on a per unit basis reflects higher earnings from operations during the quarter.

The following cash distributions have been announced by the Trust to date in 2010:

	2010			2009		
	Record Date	Distribution Date	Per Unit	Record Date	Distribution Date	Per Unit
January	29-Jan	16-Feb	\$0.10	31-Jan	16-Feb	\$0.09
February	26-Feb	15-Mar	\$0.10	28-Feb	16-Mar	\$0.09
March	31-Mar	15-Apr	\$0.10	31-Mar	15-Apr	\$0.09
April	30-Apr	17-May	\$0.10	30-Apr	15-May	\$0.09

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.

## 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 \$2,326 of returnable glass containers since converting to the Industry Standard Bottle in early 2002. The net book value of returnable glass containers as at March 31, 2010 totaled \$674 compared to \$724 at December 31, 2009.

### Unit-based compensation

The Trust recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the option plan. Unit based compensation expense recognized during the three months ended March 31, 2010 totaled \$46 (2008 - 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 for each reporting period. 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 its 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, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long term debt 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 a majority 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. The majority of product sold outside of Canada is done so on a 'Cash on Delivery' basis with no credit risk. While substantially all of Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period.

Co-packing receivables are billed on an "as produced" basis. Collection is generally within 30-60 days, with the exception of 2009 when a customer failed to update the Trust's banking information resulting delayed payments. These amounts were fully collected subsequent to year-end. Supplier rebates are accrued throughout the year and are collected annually.

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 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 as amended on March 24, 2010 that is available on [www.sedar.com](http://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 months ended March 31, 2010 total \$36 compared to \$28 for the same three month period in 2009. All amounts have been recorded at the exchange amount.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at March 31, 2010 the Trust is a party to the following contracts:

- Big Rock has a contract with Rahr Malting Canada Ltd. to supply malt barley for the 2010 fiscal year, at a fixed price of \$515 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.
- 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. The tanks, which will be used to expand the storage capacity of the brewery, were delivered in April 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.

## 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 January 1, 2010 to March 31, 2010 that have materially affected or are reasonably likely to materially affect the Trust's internal control over financial reporting.

## **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, 2011 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's project plan to convert from current Canadian GAAP to IFRS consists of three phases as summarized in the following table:

IFRS Convergence Project Phase	Progress
<p><b>Phase I: Diagnose the Impact of Conversion:</b></p> <ul style="list-style-type: none"> <li>➤ identify key differences and changes required in accounting systems, processes, procedures, policies, and internal controls most likely to impact the Trust.</li> </ul>	Completed
<p><b>Phase II: Develop the Implementation Plan</b></p> <ul style="list-style-type: none"> <li>➤ design and develop a detailed plan for implementing required changes in systems, processes, procedures, policies and internal controls, including comprehensive analysis of the impact of differences identified in Phase I.</li> </ul>	Implementation Plan Team has substantially completed a review of significant differences
<p><b>Phase III: Implementation</b></p> <ul style="list-style-type: none"> <li>➤ execution of required changes identified in Phase II and documentation of final approved accounting policies and procedures.</li> </ul>	To be fully implemented during 2010

A quantification of anticipated business impacts continues to be undertaken, as well as drafting pro-forma financial statements and notes thereto that will be required under IFRS. Management is also finalizing the details regarding the collection of comparative financial and other data throughout the second and third quarters of 2010.

Based upon the work completed to date, and since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, Big Rock cannot reasonably determine the full impact that adopting IFRS may have on its financial and future results.

## OUTLOOK

Big Rock expects consumer demand for premium craft brewery products to remain positive for the balance of 2010. In response to this heightened demand, Big Rock will continue to invest in focused marketing opportunities to create brand awareness and sustained volume growth throughout the remainder of the year and into 2011.

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 2009 Annual Information Form (as amended and filed on SEDAR on March 24, 2010). 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 and the Annual Information Form for the year ended December 31, 2009, can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

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

## CONSOLIDATED BALANCE SHEETS

(unaudited) \$ thousands (unless otherwise stated)	March 31, 2010	December 31, 2009
<b>ASSETS (note 6)</b>		
<b>Current</b>		
Cash	\$ —	\$ 728
Accounts receivable (note 3)	2,955	3,617
Inventories (note 4)	4,557	3,730
Prepaid expenses and other	419	305
	7,931	8,380
Property, plant and equipment (note 5)	27,816	27,948
Deferred charges and other assets	—	37
	\$ 35,747	\$ 36,365
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (note 6)	\$ 213	\$ —
Accounts payable and accrued liabilities (note 11)	3,124	4,123
Distributions payable (note 7)	604	602
	3,941	4,725
Long term debt (note 6)	3,557	3,557
Future income taxes	2,358	2,382
	25,891	25,701
<b>Unitholders' equity</b>		
Trust unitholders' capital (note 8)	18,809	18,431
Contributed surplus	702	741
Undistributed income	6,380	6,529
	25,891	25,701
Commitments (note 12)		
<b>Total liabilities and unitholders' equity</b>	<b>\$ 35,747</b>	<b>\$ 36,365</b>

*See accompanying notes to consolidated financial statements*

	<b>“signed”</b>	<b>“signed”</b>
On behalf of the Board:	E.E. McNally	Michael Kohut
	Director	Director

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

(unaudited) \$ thousands (unless otherwise stated)	Three months ended March 31	
	2010	2009
Net Revenue	\$ 10,545	\$ 8,203
Cost of sales	4,019	3,249
<b>Gross profit</b>	<b>6,526</b>	<b>4,954</b>
<b>Expenses</b>		
Selling Expenses	3,285	2,627
General and Administrative	1,320	751
Interest on Long Term Debt (note 6)	34	28
Interest on Bank Indebtedness (note 6)	—	14
Amortization	331	482
	<b>4,970</b>	<b>3,902</b>
Other Income	80	73
<b>Income before income taxes</b>	<b>1,636</b>	<b>1,125</b>
Future income tax recovery	(24)	(259)
<b>Net income and comprehensive income for the period</b>	<b>1,660</b>	<b>1,384</b>
Undistributed income, beginning of period	6,529	5,824
Cash distributions declared (note 7)	(1,809)	(1,624)
Undistributed income, end of period	<b>\$ 6,380</b>	<b>\$ 5,584</b>
<b>Net income per unit:</b>		
Basic and diluted	\$ 0.27	\$ 0.23

*See accompanying notes to consolidated financial statements*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) \$ thousands (unless otherwise stated)	Three months ended March 31	
	2010	2009
<b>OPERATING ACTIVITIES</b>		
Net income for the period	\$ 1,660	\$ 1,384
Items not affecting cash:		
Amortization	331	482
Loss on sale of assets	—	11
Unit based compensation	46	—
Future income tax recovery	(24)	(259)
	<b>2,013</b>	<b>1,618</b>
Net change in non-cash working capital related to operations (note 10)	(1,214)	(112)
<b>Cash provided by operating activities</b>	<b>799</b>	<b>1,506</b>
<b>FINANCING ACTIVITIES</b>		
Distribution payments	(1,807)	(1,624)
Bank indebtedness	213	273
Cash received on exercise of options	339	—
<b>Cash used in financing activities</b>	<b>(1,255)</b>	<b>(1,351)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(272)	(155)
Proceeds from sale of equipment	—	10
Purchase of deferred charges and other assets	—	(10)
<b>Cash used in investing activities</b>	<b>(272)</b>	<b>(155)</b>
<b>Net increase (decrease) in cash</b>	<b>(728)</b>	<b>—</b>
Cash and cash equivalents, beginning of period	728	—
<b>Cash and cash equivalents, end of period</b>	<b>—</b>	<b>—</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash interest paid (note 6)	\$ 34	\$ 42
Cash income taxes paid	\$ —	\$ —

*See accompanying notes to consolidated financial statements*

## Notes to Consolidated Financial Statements (unaudited)

### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of the Business

Big Rock Brewery Income Trust (“Big Rock” or the “Trust”) is a publicly traded income trust, whose units are listed on The Toronto Stock Exchange (TSX: BR.UN). Big Rock is a regional producer of premium, all-natural craft beers which are sold in nine provinces and three territories in Canada, as well as exported to Korea and to Canadian Embassies around the world.

The Trust was established in January 2003, following a corporate reorganization that consolidated various Big Rock entities into a “partnership” structure. The partnership arrangement was modified further on December 31, 2007, to provide the Trust with a “flow through” of income directly to Unitholders.

#### B. Consolidation

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 Trust as at and for the year ended December 31, 2009. The consolidated interim and annual financial statements include the accounts of the Trust, Big Rock Brewery Limited Partnership (“the Partnership”) and Big Rock Brewery Operations Corporation. Accounting policies and methods followed in the preparation of these interim consolidated financial statements are the same as those summarized in note 1 to the consolidated financial statements of the Trust for the year ended December 31, 2009, except as described below.

### 2. ACCOUNTING CHANGES

#### Future Accounting Changes

##### I. 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, 2011 and their

implementation is not expected to have a material impact on the consolidated financial position or results of operations.

## **II. International Financial Reporting Standards**

On February 13, 2008, the Accounting Standards Board of Canada (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented publicly accountable entities (“PAEs”) such as Big Rock. The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a December 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ended March 31, 2011, with comparative financial information for the quarter ending March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ending December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited financial statements.

Big Rock intends to adopt these requirements as set out by the AcSB and other regulatory bodies. While at this time the impact of adopting IFRS cannot be entirely quantified, the Trust has developed and commenced implementing its plan for the changeover to IFRS and understands the directional movement of the affected accounts. The IFRS transition plan ensures that Big Rock addresses matters such as accounting policies, information technology systems, internal controls, disclosure controls and procedures, staffing requirements and business activities impacted by accounting processes and measures.

The Trust is progressing through its initial assessment of the impacts of adopting IFRS based on the standards as they currently exist, and identified those areas having the greatest potential to impact the Trust’s accounting policies, financial reporting and information systems requirements upon conversion to IFRS. A quantification of anticipated business impacts continues to be undertaken, as well as drafting pro-forma financial statements and notes thereto that will be required under IFRS. Management is also finalizing the details regarding the collection of comparative financial and other data throughout the second and third quarters of 2010.

Based upon the work completed to date, and since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, Big Rock cannot reasonably determine the full impact that adopting IFRS may have on its financial and future results.

## **3. 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 accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long term debt 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:

<b>Classification of Financial Instrument</b>	<b>Designated as</b>
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	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.

### 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's concentration of, and past due, accounts receivable are summarized as follows:

\$ thousands (unless otherwise stated)	March 31, 2010		December 31, 2009	
	Over 90 days	Total	Over 90 days	Total
Provincial liquor boards	7	2,361	33	1,882
Co-packing customer and supplier rebates	—	369	480	1,513
GST and other receivables	18	225	30	222
	25	2,955	543	3,617

The Trust has a concentration of credit risk because a majority 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. While substantially all of

Big Rock's accounts receivable are from provincial government liquor authorities, the timing of receipts of large balances may vary significantly from period to period. The majority of product sold outside of Canada, which is included in GST and other receivables, is done so on a 'Cash on Delivery' basis with no credit risk.

Co-packing receivables are billed on an "as produced" basis. Collection is generally within 30-60 days, with the exception of 2009 when a customer failed to update the Trust's banking information resulting in delayed payments. These amounts were fully collected in the first quarter of 2010. Supplier rebates, included in current receivables, are accrued throughout the year and are collected annually.

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.

### **Non-derivative financial assets and liabilities**

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 approximates its carrying value as the debt bears interest at variable rates.

### **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'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.

### **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.

In the event interest rates changed, the Trust's net income would not be significantly impacted.

## 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. An increase or decrease in US currency foreign exchange of 3 percent had no impact on the Trust's net income for the three months ended March 31, 2010 (2009 - \$nil).

### 4. INVENTORIES

\$ thousands (unless otherwise stated)	March 31, 2010	December 31, 2009
Raw materials and returnable glass containers	1,156	1,054
Brews in progress	768	657
Finished product	2,018	1,518
Consignment product	92	50
Promotional and resale goods	523	451
	<u>4,557</u>	<u>3,730</u>

During the three months ended March 31, 2010, no charges were recorded to net income (2009 - \$17) relating to obsolete, damaged or unsellable packaging inventory and promotional and resale goods. For the three months ended March 31, 2010 and 2009, charges to income included \$199 (2009 - \$121) in respect of damaged finished goods inventory.

There were no reversals of amounts previously charged to income in respect of write-downs of inventory for the three months ended March 31, 2010 and 2009.

### 5. PROPERTY, PLANT & EQUIPMENT

\$ thousands (unless otherwise stated)	Cost	March 31, 2010	
		Accumulated amortization	Net book value
Land	\$ 2,516	\$ —	\$ 2,516
Buildings	11,854	3,063	8,791
Production equipment	33,377	17,640	15,737
Vehicles	1,090	848	242
Furniture and fixtures	2,275	1,745	530
	<u>\$ 51,112</u>	<u>\$ 23,296</u>	<u>\$ 27,816</u>

\$ thousands (unless otherwise stated)	Cost	December 31, 2009	
		Accumulated amortization	Net book value
Land	\$ 2,516	\$ —	\$ 2,516
Buildings	11,832	2,984	8,848
Production equipment	33,190	17,332	15,858
Vehicles	1,004	818	186
Furniture and fixtures	2,261	1,721	540
	<u>\$ 50,803</u>	<u>\$ 22,855</u>	<u>\$ 27,948</u>

For the three months ended March 31, 2010 and 2009, there were no indicators of impairment in the carrying value of the Trust's property, plant and equipment. Accordingly no provisions have been recorded in these consolidated financial statements.

## 6. BANK INDEBTEDNESS & LONG TERM DEBT

On April 30, 2010, Big Rock renewed its \$5,000 demand operating facility with ATB Financial ("ATB") for a term of three years. The facility, which bears interest at prime plus one percent, is used to fund working capital requirements and allows for borrowing, repayment, and additional borrowing up to the amount specified as necessary. Collateral for these borrowings is a general assignment of Big Rock's assets.

As at March 31, 2010, the balance outstanding on this facility, net of cash deposits, totalled \$213 (December 31, 2009 - nil) and the effective interest rate for the quarter ending March 31, 2010 was 3.58% (2009 - 2.92%).

The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at March 31, 2010, Big Rock was in compliance with all of its debt covenants.

The Trust has term financing in the amount of \$3,557, provided by ATB at ATB's 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 period ended March 31, 2010 was 3.83% (2009 - 3.17%).

## 7. DISTRIBUTIONS PAYABLE

The Trust declared distributions of \$1,809 for the three months ended March 31, 2010 (2009 - \$1,624). Distributions of \$604 were paid on April 15, 2010 in respect of income for the month of March 2010 (April 15, 2009; \$602 in respect of income for March 2009).

## 8. ISSUED & OUTSTANDING TRUST UNITS

\$ thousands (unless otherwise stated)	2010		2009	
	# of units	\$ Amount	# of units	\$ Amount
Balance, beginning of the period	6,014,678	18,431	6,016,570	18,431
Units issued upon exercise of options	22,200	378	—	—
Balance, end of the period	6,036,878	18,809	6,016,570	18,431

### Unit Based Compensation Plan

As at March 31, 2010, 508,250 UAR's were outstanding (2009 - 634,250). During the three months ended March 31, 2010, no UAR's were issued (2009 - nil) and 126,000 (2009 - nil) were cancelled in respect of employees no longer with the brewery. As at March 31, 2010, the trading price of the Trust units exceeded the exercise price of certain UAR's, resulting in a charge to general and administrative expenses of \$46 was recorded. For the three months ended March 31, 2009, the trading price of the Trust units did not exceed the UAR exercise price. The associated payable is included in accounts payable and accrued liabilities on the balance sheet.

## Trust Unit Options

The following tables summarize information about unit options outstanding:

\$ thousands (unless otherwise stated)	2010		2009	
	# of Units	Weighted Average Exercise Price	# of Units	Weighted Average Exercise Price
Balance, beginning of the period	385,600	\$ 17.10	498,500	\$ 16.88
Cancelled	(48,500)	16.94	(9,000)	16.95
Exercised	(22,200)	15.26	—	—
Balance, end of the period	314,900	\$ 17.26	489,500	\$ 16.88

Exercise price	# of Options outstanding at March 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at March 31, 2010
\$15.26 to \$17.71	142,800	1.76	\$ 15.26	142,800
\$17.72 to \$19.07	172,100	0.20	18.91	172,100
	314,900	0.91	\$ 17.26	314,900

## Contributed Surplus

\$ thousands (unless otherwise stated)	March 31, 2010	December 31, 2009
Balance, beginning of period	741	741
Transfer to capital relating to options exercised	(39)	—
Balance, end of period	702	741

## 9. 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 its capital structure to consist of short-term and long-term debt less cash and Unitholders' equity.

The Trust manages its capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management, and makes adjustments in these measures in light of changes in economic conditions.

In addition, the Trust monitors its capital using ratios of (i) debt to total capitalization, (ii) working capital, and (iii) earnings before interest, taxes, depreciation and amortization (EBITDA) to long-term debt. Debt to total capitalization is calculated as long-term debt, including current portion, plus bank indebtedness divided by total capital. Working capital is calculated by current assets by current liabilities and EBITDA to long-term debt is calculated by dividing long-term debt by EBITDA. Both working capital and EBITDA to long-term debt are used for compliance with debt covenants.

These capital policies, which remain unchanged from prior periods, provide the Trust with access to capital at a reasonable cost.

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

\$ thousands (unless otherwise stated)	Three months ended March 31	
	2010	2009
Accounts receivable	662	459
Inventories	(717)	28
Prepaid expenses and other	(114)	(192)
Accounts payable and accrued liabilities	(1,045)	(407)
	(1,214)	(112)

## 11. RELATED PARTY TRANSACTIONS

Related party transactions are included in selling expenses and relate to 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 months ended March 31, 2010 total \$36 (2009 - \$28). As at March 31, 2010 and December 31, 2009, no amounts were owing to the consultant. All amounts have been recorded at the exchange amount.

## 12. CONTRACTUAL OBLIGATIONS and COMMITMENTS

As at March 31, 2010 the Trust is a party to the following contracts:

- Big Rock has a contract with Rahr Malting Canada Ltd. to supply malt barley for the 2010 fiscal year, at a fixed price of \$515 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.
- 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. 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.

## 13. COMPARATIVE AMOUNTS

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