BIG ROCK BREWERY INCOME TRUST
QUARTERLY REPORT

SECOND QUARTER 2010 HIGHLIGHTS

$ thousands (unless otherwise stated)	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
Sales volumes (hectolitres or hl)	**57,832**	57,378	**107,006**	96,860
Net revenue	**12,471**	12,087	**23,016**	20,290
Net income	**2,068**	2,400	**3,728**	3,785
Earnings per unit (basic and diluted)	**$ 0.34**	$ 0.40	**$ 0.61**	$ 0.63

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 six months ended June 30, 2010, as compared to the same periods 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 and six months ended June 30, 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 August 5, 2010.

INDUSTRY TRENDS AND INDICATORS

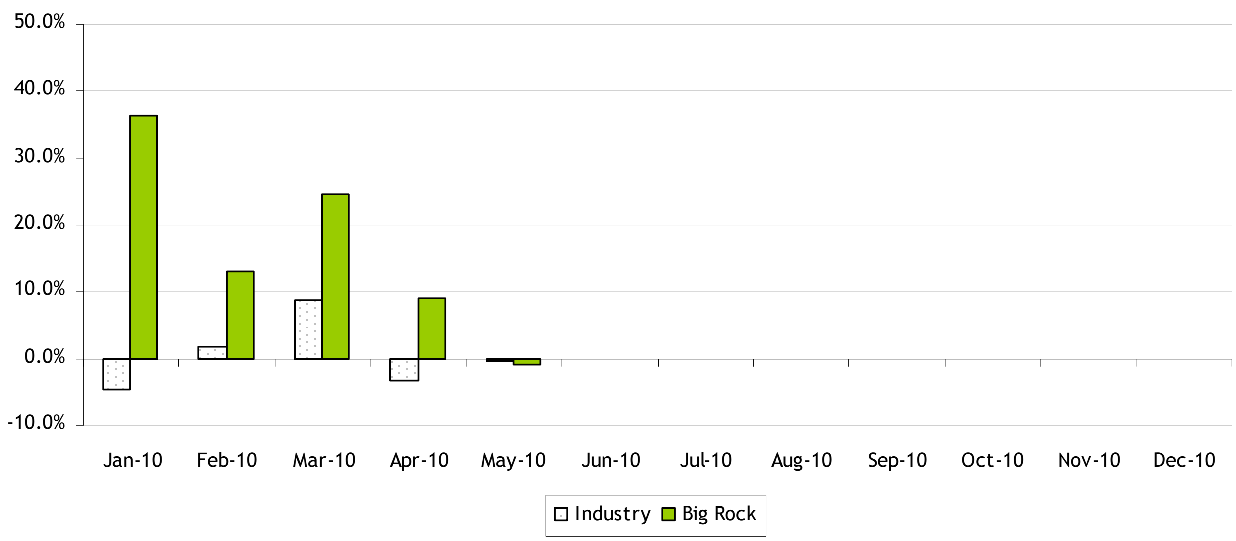
For the five months ended May 2010, Canadian beer sales across the industry have increased a total of 0.5% compared to the same five months of 2009. Management believes that this increase is partly attributable to the 21st Winter Olympics held in Vancouver earlier in the year. For the rolling twelve months ended May 2010, industry sales have declined a total of 1.1%. Management believes the general decline in industry performance is attributable to various factors, including:

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

Despite the weak industry performance, Big Rock's sales volumes increased by 14.8% for the same five month period and 24.8% for the comparative twelve month rolling period.

The graph below illustrates the change in monthly sales volumes for January through May 2010 compared to 2009 for both Big Rock and the Canadian beer industry. June industry data was not available at the time of this MD&A.

Year-over-year change in beer sales by volume (2010 vs 2009)



Source: Brewers Association of Canada, Domestic Sales Bulletin – May 2010

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	2010		2009				2008	
$ thousands (unless otherwise stated)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volumes (hl)	**57,832**	49,174	52,110	70,850	57,378	39,482	44,306	50,521
Net sales revenue	**12,471**	10,545	10,529	15,413	12,087	8,203	9,150	10,331
Net earnings	**2,068**	1,660	569	3,076	2,400	1,384	1,533	1,417
Earnings per unit (basic and diluted)	**$ 0.34**	$ 0.27	$ 0.09	$ 0.51	$ 0.40	$ 0.23	$ 0.24	$ 0.24
Distributions per unit	**$ 0.30**	$ 0.30	$ 0.30	$ 0.28	$ 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 behaviour. 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 and six months ended June 30, 2010, decreased to $2,068 and $3,738 compared to $2,400 and $3,785, respectively, for the same three and six months periods of 2009. Management believes unfavourable weather conditions during the quarter have adversely affected sales volumes and consequently our results. Additionally, results for the three and six months ended June 30, 2010 include amounts accrued under the incentive plan of $391 and $782, respectively. No such amounts were accrued for the equivalent periods in 2009. Net earnings excluding these amounts would be $2,459 and $4,520 for the three and six months ended June 30, 2010, respectively.

Gross Profit

	Three Months Ended June 30			Six Months Ended June 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Net sales revenue	**12,471**	12,087	384	**23,016**	20,290	2,726
Cost of sales	**5,057**	4,923	134	**9,340**	8,568	772
Gross profit	**7,414**	7,164	250	**13,676**	11,722	1,954
Sales volumes (hl)	**57,832**	57,378	454	**107,006**	96,860	10,146

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 behaviour. Despite the influence of weather, results for the three and six months ended June 30, 2010 are consistent with these seasonal trends and management's expectations.

For the three months ended June 30, 2010, net sales revenue increased $384 (3.2%) compared to the same period of 2009. The increase was primarily due to increased revenue per hectolitre as a result of the price increases announced during the first quarter. The price increase was Big Rock'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 six months ended June 30, 2010, net sales revenue increased $2,726 (13.4%) compared to the same period of 2009. The increase was primarily due to increased sales volumes across all brands combined with the impact of the previously mentioned price increases announced during the first quarter.

For the three months ended June 30, 2010 sales volumes, in hectolitres, were up 0.8% compared to the same period of 2009. Continued attention on retail sales promotions focused on "at-home" consumption, combined with retail and on-premise (restaurants and bars) sales initiatives drove the volume increase. This increase was adversely affected by the weather conditions during the second quarter which partially offset the increases in consumer demand across all brands. British Columbia and Ontario showed strong gains, 15.4% and 37.0% respectively, which together contributed 2,023 hl of the total three month growth; while sales in Alberta declined by 4.1% or 1,783 hl.

For the six months ended June 30, 2010 sales volumes, in hectolitres, were up 10.5% compared to the same period of 2009. The higher volumes reflected the ongoing increases in consumer demand described above. Alberta, British Columbia and Ontario led the increase, contributing 9,788 hl of the 10,146 hl total year-to-date growth. Sales volumes in the remaining provinces and territories during the first six months of 2010 continued to show positive trends compared with the same period in 2009, although on a smaller scale.

Cost of sales now includes amortization charges on production equipment used to convert raw materials to finished goods. For the three and six months ended June 30, 2010 cost of sales includes amortization of $407 (2009 - $402) and $670 (2009 - $796), respectively. Prior period information has been reclassified for comparison purposes.

For the three months ended June 30, 2010, cost of sales increased by $134 (2.7%) compared to the same period last year. The increase in the total cost of sales was primarily attributed to amounts accrued under the Trust's incentive plan, which totalled $120 during the quarter, under which there were no similar amounts accrued in the second quarter of 2009. In addition, costs of sales during the quarter reflected a slight change in the sales mix towards bottled products which have a slightly higher cost than other packaged offerings, compared to the sales mix of the same quarter last year.

For the six months ended June 30, 2010, cost of sales increased by $772 (9.0%) compared to the same period last year. The increase in the total cost of sales was primarily due to additional ingredients, glass and packaging materials, and labour charges associated with the higher production volumes. The increased production volumes added approximately $1,277 to cost of sales, of which approximately $250 related to amounts accrued under the Trust's incentive plan under which there were no similar amounts accrued in the six months ended June 30, 2009.

On a per hectolitre basis, cost of sales for the three months ended June 30, 2010 increased by $1.64 per hl (1.9%) compared to the same three month period of 2009. The increase was primarily attributable to the impact of the incentive amounts discussed earlier, which added approximately $2.07 per hl.

On a per hectolitre basis, cost of sales for the six months ended June 30, 2010 decreased $1.17 per hl (1.3%) compared to the same six month period of 2009. The lower cost of sales was primarily driven by reduced amortization on production equipment of $1.96 per hl, now included in cost of sales, combined with the impact of overhead and staffing costs, which are somewhat "fixed" in nature and do not grow proportionately with production. This decrease was partially offset by amounts accrued under incentive plan, discussed earlier, which added approximately $2.07 per hl.

Gross profit for the three months ended June 30, 2010 increased to $7,414 (59.4%) from $7,164 (59.3%) for the same quarter in 2009. For the six months ended June 30, 2010, gross profit increased to $13,676 (59.4%) from $11,722 (57.8%). Adjusting for the incentive amounts accrued in 2010, gross profits for the three months ended June 30, 2010 would have been 60.4%, compared with 59.3% for the same quarter of 2009. For the six months ended June 30, 2010 gross profit would have been 60.5%, compared with 57.8% for the equivalent period in 2009. The increase in gross profit reflect the sales price increases announced in the first quarter of 2010, as well as management's continued focus on production related costs.

Selling, General and Administrative expenses

	Three Months Ended June 30			Six Months Ended June 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Selling:						
Delivery and distribution	**1,051**	999	52	**1,918**	1,716	202
Salaries, point-of-sale ("POS") materials and promotional expenses	**3,117**	2,835	282	**5,535**	4,745	790
Total	**4,168**	3,834	334	**7,453**	6,461	992
Selling costs per hectolitre	**$ 72.07**	$ 66.82	$ 5.25	**$ 69.65**	$ 66.70	$ 2.95
General and Administrative:						
Salaries and benefits	**565**	327	238	**1,105**	642	463
Other	**485**	623	(138)	**1,265**	1,058	207
Total general and administrative expenses	**1,050**	950	100	**2,370**	1,700	670
% of net sales revenue	**8.4%**	7.9%	0.5%	**10.3%**	8.4%	1.9%

Total delivery and distribution costs increased as a result of additional volumes delivered. On a per hectolitre basis, delivery and distribution costs have increased $0.76/hl (4.4%) and $0.21/hl (1.2%) for the three and six months ended June 30, respectively. The increase was due primarily to growth in the brewery's out of province sales during the three and six month periods ended June 30, 2010 compared with the same periods last year.

For the three and six months ended June 30, 2010, selling expenses, which comprised primarily of salaries and promotional materials, increased $282 and $790, respectively, over the same periods last year. The increase was due primarily to amounts accrued under the Trust's incentive plan ($150 and $300 for the three and six months ended June 30, 2010, respectively). In addition, higher sponsorship and promotional amounts relating to the 25th year of operations of the brewery ($437 and $629, respectively), offset partially by lower POS merchandise purchased ($331 and $316, respectively), added to the overall growth in selling costs. On a per hectolitre basis, selling costs increased by $5.25 and $2.95 per hl, respectively, compared with those of the same three and six month periods last year.

General and administration expenses consist primarily of salaries and benefits, and other costs. For the three and six months ended June 30, 2010, salaries and benefits increased due to amounts accrued under the previously discussed incentive plan ($121 and $240, respectively) for which no amount was recorded in the same quarter of 2009. In addition, salaries and benefits increased by $110 and $146, respectively, in respect of increased staff levels and salary levels.

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 June 30, 2010, other general and administration amounts decreased as a result of lower year-end audit and tax related fees compared to same three month period last year. For the six months ended June 30, 2010, the increase in other general and administration charges was driven primarily by additional professional fees 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 June 30			Six Months Ended June 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Interest on long-term debt	**34**	26	8	**68**	54	14
Interest on bank indebtedness	**3**	10	(7)	**3**	23	(20)
Total	**37**	36	1	**71**	77	(6)
Effective interest rate	**3.80% to 3.83%**	2.62% to 2.87%		**2.20% To 3.83%**	2.78% to 3.03%	

The principal amount of long-term debt and bank indebtedness was $4,622 as at June 30, 2010, less than the $5,721 balance outstanding as at June 30, 2009. Interest expense is consistent for the three months ended June 30, 2010 compared to June 30, 2009. The decrease in interest expense for the six months ended June 30, 2010 compared to June 30, 2009 is due to an increase in interest rate offset by a decrease in average balance outstanding on the bank indebtedness. The interest rates applicable to all loans and borrowings are based on ATB Financial (“ATB”) prime. The balance on the term loan remained unchanged.

Amortization

	Three Months Ended June 30			Six Months Ended June 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Amortization included in cost of sales	**407**	402	5	**670**	796	(126)
Amortization - other	**77**	103	(26)	**144**	190	(46)
Total	**484**	505	(19)	**814**	986	(172)

For the three months ended June 30, 2010, amortization expense included in cost of sales increased by $5 compared with the same period last year, primarily as a result of production equipment acquired in the quarter. For the same three month period, other amortization expense decreased $26 due to lower net book values on non-production assets.

For the six months ended June 30, 2010, amortization expense included in cost of sales decreased by $126 compared with the same period last year, primarily because lower net book values on production assets. For the same period, other amortization expense decreased $46 compared to the same period last year, for the same reason.

Prior year charges for amortization included in cost of sales have been reclassified for comparative purposes.

Other income

	Three Months Ended June 30			Six Months Ended June 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Total	**79**	77	2	**159**	149	10

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 increases for the three and six months are 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 June 30			Six Months Ended June 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Future income tax expense (recovery)	**93**	(82)	175	**69**	(342)	411

During the second quarter, the Trust recorded future income tax expense of $93 compared to a recovery of $82 in the same period last year. The income tax provision represents 26.8% 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.

During the first six months of the year, the Trust recorded future income tax expense of $69 compared to a recovery of $342 in the same period last year. The income tax provision represents 39.2% 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 June 30, 2010:

$ thousands (unless otherwise stated)	Increase/ (Decrease)	Primary factors explaining change
Cash	(728)	Decreased cash due to higher inventory levels on-hand
Accounts receivable	792	Primarily due to higher sales
Inventories	1,628	Primarily build up of finished product for summer season
Prepaid expenses and other	142	Deposits on community sponsorships
Property, plant and equipment	(113)	Capital asset additions, net of amortization
Deferred charges and other assets	(37)	Reclassification to property, plant and equipment
Bank indebtedness	1,065	Decreased cash from operations and purchase of capital assets
Accounts payable and accrued liabilities	(169)	Payment of year-end balances and timing of bonus accruals
Future income taxes	70	Tax effect of change in capital assets

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

$ thousands (unless otherwise stated)	June 30, 2010	December 31, 2009
Cash	$ –	$ 728
Total debt, including bank indebtedness	**4,622**	3,557
Unitholders' equity:		
Unitholders' capital	**19,113**	18,431
Contributed surplus	**671**	741
Undistributed income	**6,632**	6,529
Total unitholders' equity	**26,416**	25,701
Total capitalization (total debt plus unitholders' equity)	**31,038**	29,258
Total debt-to-capitalization ratio	**14.9%**	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. The term loan is due on April 30, 2011 and therefore during the three months ended June 30, 2010 this loan was reclassified from long term debt to current portion of long term debt. Both Big Rock and the lender anticipate the facility will be renewed prior to maturity. At June 30, 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 June 30, 2010, there were 6,054,778 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	**40,100**	682
Balance as at June 30, 2010	**6,054,778**	19,113

As at August 5, 2010, there were 6,054,778 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 August 5, 2010 was $16.65 per unit. Based upon 6,054,778 issued units, the Trust has an approximate market capitalization of $100.8 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 June 30, 2010 a total of 144,900 stock options were outstanding and expire at various dates up to February 2012 at exercise prices that range from $15.26 to $17.72 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*
Cancelled	–	–	(9,000)	$ 16.95
Exercised	**(17,900)**	**$ 15.26**	–	–
Expired	**(152,100)**	**$ 19.07**	(2,900)	$ 12.65
Balance as at March 31	**144,900**	**$ 15.60**	486,600	$ 16.91

As at August 5, 2010, there were a total of 144,900 unit options outstanding.

Cash Flows

Cash Provided by Operating Activities

Cash provided by operating activities for the three months ended June 30, 2010 was consistent with prior year levels. For the six months ended June 30, 2010, cash provided by operating activities totalled $1,992 compared to $2,712 for the same period last year. This decrease was driven by higher inventory levels as a result of adverse weather in the second quarter of 2010, lower accounts payable due to timing of supplier payments, partially offset by lower accounts receivable as a result of improved timing of payments from government liquor boards.

Investing Activities

For the three and six months ended June 30, 2010, capital spending, net of dispositions, was $614 and $776, respectively, compared to $498 and $645, respectively, for the sames periods in 2009. Capital spending, net of dispositions, for the three months ended June 30, 2010 included $51 for new vehicles, $85 for new kegs, $320 for production equipment in the brewing operations, $24 for leasehold improvements to the brewery's buildings, $20 for new glass containers and $11 for furniture and equipment. For the six months ended June 30, 2010, net capital spending included $137 for new vehicles, $140 for new kegs, $397 for production equipment in the brewing operations, $46 for leasehold improvements to the brewery's buildings, $40 for new glass containers and $25 for furniture and equipment.

Financing Activities

Cash used in financing activities throughout the three and six month periods ended June 30, 2010 decreased by $290 and $387, respectively, compared with the same periods last year. The decrease in cash used was primarily driven by the receipt of higher cash proceeds from the exercise of employee stock options during the three and six months ended June 30, 2010. Partially offsetting these amounts were the impact of higher distributions during the three and six months ended June 30, 2010, of $190 and $372, respectively, compared with the same periods last year.

The balance drawn against the facility fluctuates depending on working capital requirements. At June 30, 2010, the balance owing on this facility, net of cash amounts, was $1,065 (December 31, 2009 - nil).

On April 30, 2010, Big Rock renewed its $5.0 million 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.

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 three and six months ended June 30, 2010, the Trust distributed $1,814 and $3,621, respectively, to unitholders compared with $1,624 and $3,249, respectively for the same three and six month periods in 2009. The increase in distributions on a per unit basis reflects higher earnings before amounts accrued under the incentive program, for the three and six month periods ended June 30, 2010 compared with the same periods last year.

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
May	31-May	15-Jun	$0.10	31-May	15-Jun	$0.09
June	30-Jun	15-Jul	$0.10	30-Jun	15-Jul	$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 $2,346 of returnable glass containers since converting to the Industry Standard Bottle in early 2002. The net book value of returnable glass containers as at June 30, 2010 totalled $634 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. During the three months ended June 30, 2010, unit based compensation expense resulted in a recovery of $11 (2009 – nil) as a result of changes in the market price and expired options. For the six months ended June 30, 2010, unit based compensation expense totalled $35 (2009 - $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 in 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

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 six months ended June 30, 2010 total $36 and $72, respectively, compared to $28 and $55, respectively, for the same periods in 2009. All amounts have been recorded at the exchange amount.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at June 30, 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 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.

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 June 30, 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
Phase I: Diagnose the Impact of Conversion: ➢ identify key differences and changes required in accounting systems, processes, procedures, policies, and internal controls most likely to impact the Trust.	Completed
Phase II: Develop the Implementation Plan ➢ 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.	Implementation Plan Team has substantially completed a review of significant differences
Phase III: Implementation ➢ execution of required changes identified in Phase II and documentation of final approved accounting policies and procedures.	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 third quarter 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

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

CONSOLIDATED BALANCE SHEETS

$ thousands (unless otherwise stated)		June 30, 2010		December 31, 2009
ASSETS (note 6)		(unaudited)		(audited)
Current				
Cash	$	–	$	728
Accounts receivable (note 3)		**4,409**		3,617
Inventories (note 4)		**5,358**		3,730
Prepaid expenses and other		**447**		305
		10,214		8,380
Property, plant and equipment (note 5)		**27,835**		27,948
Deferred charges and other assets		–		37
Total assets	$	**38,049**	$	36,365
LIABILITIES AND UNITHOLDERS' EQUITY				
Current				
Bank indebtedness (note 6)	$	**1,065**	$	–
Current portion of long term debt (note 6)		**3,557**		–
Accounts payable and accrued liabilities (note 11)		**3,955**		4,124
Distributions payable (note 7)		**605**		601
		9,182		4,725
Long term debt (note 6)		–		3,557
Future income taxes		**2,451**		2,382
		11,633		10,664
Unitholders' equity				
Trust unitholders' capital (note 8)		**19,113**		18,431
Contributed surplus		**671**		741
Undistributed income		**6,632**		6,529
		26,416		25,701
Commitments (note 12)				
Total liabilities and unitholders' equity	$	**38,049**	$	36,365

See accompanying notes to consolidated financial statements

	"signed"	"signed"
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 June 30 **2010**	 2009	Six months ended June 30 **2010**	 2009
Net Revenue	**$ 12,471**	$ 12,087	**$ 23,016**	$ 20,290
Cost of sales	**5,057**	4,923	**9,340**	8,568
Gross profit	**7,414**	7,164	**13,676**	11,722
Expenses				
Selling Expenses	**4,168**	3,834	**7,453**	6,461
General and Administrative	**1,050**	950	**2,370**	1,700
Interest on Long Term Debt (note 6)	**34**	26	**68**	54
Interest on Bank Indebtedness (note 6)	**3**	10	**3**	23
Amortization	**77**	103	**144**	190
	5,332	4,923	**10,038**	8,428
Other Income	**79**	77	**159**	149
Income before income taxes	**2,161**	2,318	**3,797**	3,443
Future income tax expense (recovery)	**93**	(82)	**69**	(342)
Net income and comprehensive income for the period	**2,068**	2,400	**3,728**	3,785
Undistributed income, beginning of period	**6,380**	5,584	**6,529**	5,824
Cash distributions declared (note 7)	**(1,816)**	(1,624)	**(3,625)**	(3,249)
Undistributed income, end of period	**$ 6,632**	$ 6,360	**$ 6,632**	$ 6,360

Net income per unit:				
Basic and diluted	**$ 0.34**	$ 0.40	**$ 0.61**	$ 0.63

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) $ thousands (unless otherwise stated)	Three months ended June 30 **2010**	 2009	Six months ended June 30 **2010**	 2009
OPERATING ACTIVITIES				
Net income for the period	**$ 2,068**	$ 2,400	**$ 3,728**	$ 3,785
Items not affecting cash:				
Amortization	**484**	505	**814**	986
Gain on sale of assets	**(4)**	(18)	**(4)**	(7)
Unit based compensation	**(11)**	–	**35**	–
Future income tax expense (recovery)	**93**	(83)	**69**	(341)
	2,630	2,804	**4,642**	4,423
Net change in non-cash working capital related to operations (note 10)	**(1,326)**	(1,599)	**(2,650)**	(1,711)
Cash provided by operating activities	**1,304**	1,205	**1,992**	2,712
FINANCING ACTIVITIES				
Distribution payments	**(1,814)**	(1,624)	**(3,621)**	(3,249)
Bank indebtedness	**851**	644	**1,065**	918
Cash received on exercise of options	**273**	–	**612**	–
Cash used in financing activities	**(690)**	(980)	**(1,944)**	(2,331)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(618)**	(516)	**(780)**	(673)
Proceeds from sale of equipment	**4**	18	**4**	28
Purchase of deferred charges and other assets	**–**	273	**–**	264
Cash used in investing activities	**(614)**	(225)	**(776)**	(381)
Net increase (decrease) in cash	**–**	–	**(728)**	–
Cash and cash equivalents, beginning of period	**–**	–	**728**	–
Cash and cash equivalents, end of period	**–**	–	**–**	–

Supplemental disclosure of cash flow information:				
Cash interest paid (note 6)	**$ 37**	$ 35	**$ 71**	$ 77
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 third quarter 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:

Classification of Financial Instrument	Designated as
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:

	June 30, 2010		**December 31, 2009**	
$ thousands (unless otherwise stated)	**Over 90 days**	**Total**	Over 90 days	Total
Provincial liquor boards	**43**	**3,353**	33	1,882
Co-packing customer and supplier rebates	**176**	**899**	480	1,513
GST and other receivables	**—**	**157**	30	222
	219	**4,409**	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 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.

In the event interest rates changed by 75 basis points, the Trust's net income would be affected by $8 for the three months ended June 30, 2010 (2009 – nil) and $15 for the six months ended June 30, 2010 (2009 - $1).

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 would affect net income by $6 for the three months ended June 30, 2010 (2009 – nil) and $8 for the six months ended June 30, 2010 (2009 – nil).

4. INVENTORIES

$ thousands (unless otherwise stated)	**June 30, 2010**	December 31, 2009
Raw materials and returnable glass containers	**1,177**	1,054
Brews in progress	**822**	657
Finished product	**2,372**	1,518
Consignment product	**90**	50
Promotional and resale goods	**897**	451
	5,358	3,730

During the three months and six months ended June 30, 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 June 30, 2010, charges to income included $13 (2009 - $121) in respect of damaged finished goods inventory. For the six months ended June 30, 2010, charges to income included $53 (2009 - $121) in respect of damaged finished goods inventory.

Finished product inventory includes $115 (2009 – nil) of amortization charges on production equipment used to convert raw materials to finished goods.

There were no reversals of amounts previously charged to income in respect of write-downs of inventory for the three months and six months ended June 30, 2010 and 2009.

5. PROPERTY, PLANT & EQUIPMENT

	June 30, 2010		
$ thousands (unless otherwise stated)	Cost	Accumulated amortization	Net book value
Land	$ **2,516**	$ **–**	$ **2,516**
Buildings	**11,878**	**3,143**	**8,735**
Production equipment	**33,766**	**17,986**	**15,780**
Vehicles	**1,141**	**854**	**287**
Furniture and fixtures	**2,286**	**1,769**	**517**
	$ **51,587**	$ **23,752**	$ **27,835**

	December 31, 2009		
$ thousands (unless otherwise stated)	Cost	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
	$ 50,803	$ 22,855	$ 27,948

For the three and six months ended June 30, 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 June 30, 2010, the balance outstanding on this facility, net of cash deposits, totalled $1,065 (December 31, 2009 - nil). For the three months ended June 30, 2010 the effective interest rate was 3.80% (2009 – 2.62%). For the six months neded June 30, 2010, the effective interest rate was 2.20% (2009 – 2.78%).

The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at June 30, 2010, Big Rock continued to be in compliance with all 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 three months ended June 30, 2010 was 3.83% (2009 – 2.87%). The effective interest rate for the six months ended June 30, 2010 was 3.83% (2009 – 3.03%).

7. DISTRIBUTIONS PAYABLE

The Trust declared distributions of $1,816 for the three months ended June 30, 2010 (2009 -$1,624) and declared distributions of $3,625 for the six months ended June 30, 2010 (2009 - $3,249). Distributions of $605 were paid on July 15, 2010 in respect of income for the month of June 2010 (July 15, 2009; $541 in respect of income for June 2009).

8. ISSUED & OUTSTANDING TRUST UNITS

	2010		2009	
$ thousands (unless otherwise stated)	# of units	$ Amount	# of units	$ Amount
Balance as at December 31	6,014,678	18,431	6,016,570	18,431
Units issued upon exercise of options	40,100	682	—	—
Units cancelled	—	—	(1,892)	—
Balance as at June 30	6,054,778	19,113	6,014,678	18,431

Unit Based Compensation Plan

As at June 30, 2010, 508,250 UAR's were outstanding (2009 – 634,250). During the three months ended June 30, 2010, no UAR's were issued (2009 – nil) and no UAR's (2009 – nil) were cancelled. During the six months ended June 30, 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 June 30, 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 $35 for the six months ended June 30, 2010. A recovery of $11 was released to general and administrative expenses for the three months ended June 30, 2010. 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:

	2010		2009	
	# of Units	**Weighted Average Exercise Price**	# of Units	Weighted Average Exercise Price
Balance, 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, March 31	**314,900**	**17.26**	489,500	16.88
Cancelled	**–**	**–**	–	–
Exercised	**(17,900)**	**15.26**	–	–
Expired	**(152,100)**	**19.07**	(2,900)	12.65
Balance, June 30	**144,900**	**15.60**	486,600	16.91

Exercise price	**# of Options outstanding at June 30, 2010**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**# of Options exercisable at June 30, 2010**
$15.26 to $17.71	**124,900**	**1.58**	**$ 15.26**	**124,900**
$17.72 to $19.07	**20,000**	**2.25**	**17.72**	**20,000**
	144,900	**1.68**	**$ 15.60**	**144,900**

Contributed Surplus

$ thousands (unless otherwise stated)	**June 30, 2010**	**March 31, 2010**	December 31, 2009
Balance, beginning of period	**702**	**741**	741
Transfer to capital relating to options exercised	**(31)**	**(39)**	–
Balance, end of period	**671**	**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 June 30		Six months ended June 30	
	2010	2009	**2010**	2009
Accounts receivable	**(1,454)**	(2,339)	**(792)**	(1,880)
Inventories	**(685)**	(34)	**(1,512)**	(6)
Prepaid expenses and other	**(29)**	(52)	**(143)**	(245)
Accounts payable and accrued liabilities	**842**	826	**(203)**	420
	(1,326)	(1,599)	**(2,650)**	(1,711)

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 June 30, 2010 total $36 (2009 - $27) and for the six months ended June 30, 2010 total $72 (2009 - $55). As at June 30, 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 June 30, 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 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.

13. COMPARATIVE AMOUNTS

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