BIG ROCK BREWERY INCOME TRUST
QUARTERLY REPORT

THIRD QUARTER 2010 HIGHLIGHTS

$ thousands (unless otherwise stated)	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Sales volumes (hectolitres or hl)	**58,151**	70,850	**165,157**	167,710
Net revenue	**12,234**	15,413	**35,250**	35,703
Net income	**1,970**	3,076	**5,698**	6,861
Earnings per unit (basic and diluted)	**$ 0.33**	$ 0.51	**$ 0.94**	$ 1.14

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Big Rock Brewery Income Trust (the "Trust" or "Big Rock") for the three and nine months ended September 30, 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 nine months ended September 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.

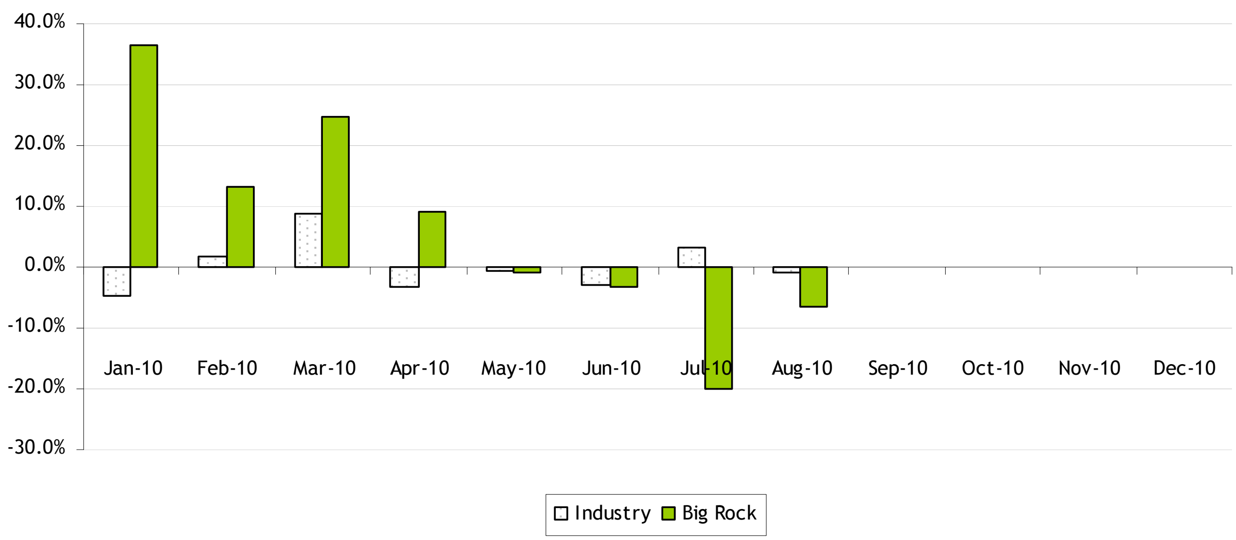
The financial data presented herein and in the Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in thousands of Canadian dollars, unless otherwise stated.

The MD&A is dated November 4, 2010.

INDUSTRY TRENDS AND INDICATORS

The graph below illustrates the change in monthly sales volumes for January through August 2010 compared to 2009 for both Big Rock and the Canadian beer industry. September 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 – August 2010

For the eight months ended August 2010, Canadian beer sales across the industry have remained consistent with the same eight month period of last year, while Big Rock's sales volumes have increased by 2.2%. For the rolling twelve months ended August 2010, industry sales have declined a total of 0.4% while Big Rock's volumes have increased by 2.2%.

Management believes the general trends in industry performance are attributable to various factors, including:

- continued difficult general economic conditions, causing a reduction in consumers' disposable income;
- a focus by the multi-national breweries towards higher volume "bonus" packs (eg. 18 for the price of 15, etc.); and
- a shift towards the "value" category by the consumer in response to multi-national breweries deep discounting price strategies along with "above the line" media support.

Management believes the industry has experienced growth in the innovation category including new beer categories, packaging and entries into the craft segment. These gains have partially offset the impact of the factors discussed above.

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)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volumes (hl)	**58,151**	**57,832**	**49,174**	52,110	70,850	57,378	39,482	44,306
Net sales revenue	**12,234**	**12,471**	**10,545**	10,529	15,413	12,087	8,203	9,150
Net earnings	**1,970**	**2,068**	**1,660**	569	3,076	2,400	1,384	1,533
Earnings per unit (basic and diluted)	**$ 0.33**	**$ 0.34**	**$ 0.27**	$ 0.09	$ 0.51	$ 0.40	$ 0.23	$ 0.24
Distributions per unit	**$ 0.30**	**$ 0.30**	**$ 0.30**	$ 0.30	$ 0.28	$ 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, consumer behaviour, customer activity and overall industry dynamics, specifically in western Canada. The selected quarterly information is consistent with these expectations and industry trends.

RESULTS OF OPERATIONS

Big Rock's consolidated net earnings for the three and nine months ended September 30, 2010, decreased to $1,970 and $5,698, respectively, compared to $3,076 and $6,861, respectively, for the same three and nine months periods of 2009. Management believes unfavourable weather conditions, especially in western Canada, combined with the loss of key retail distribution points in Alberta during the third quarter adversely affected sales volumes and consequently our results.

Management also believes that growth in the "On-Premise" segment of the business is a result of increased distribution to new and existing customers combined with successful innovation initiatives. The decline in "at home" consumption was primarily attributed to a shift in customer and consumer purchasing patterns, in response to the multi-national breweries' focus on higher volume "bonus pack" offerings, discussed earlier, combined with the entry into the Alberta market by Ontario and British Columbia based craft beer companies.

Gross Profit

	Three Months Ended September 30			Nine Months Ended September 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Net sales revenue	**12,234**	15,413	(3,179)	**35,250**	35,703	(453)
Cost of sales	**5,071**	6,312	(1,241)	**14,411**	14,880	(469)
Gross profit	**7,163**	9,101	(1,938)	**20,839**	20,823	16
Sales volumes (hl)	**58,151**	70,850	(12,699)	**165,157**	167,710	(2,553)

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 the numerous factors mentioned above.

For the three months ended September 30, 2010, net sales revenue decreased $3,179 (20.6%) compared to the same period of 2009. The decrease was primarily due to lower sales volumes, which for the quarter ended September 30, 2010 declined 17.9% compared to the same period of 2009. Sales volumes were adversely affected by the impact of weather in western Canada, retail distribution challenges in Alberta, and new entrants in the Alberta beer market, which were partially offset by the growth in the "On-Premise" segment discussed earlier.

Management believes the decrease in sales volumes of 12,699 hl, for the quarter ended September 30, 2010, were directly attributable to the wet summer. Sales volumes of Big Rock's Lime Light lager, which management believes consumers consider a "summer beer" declined approximately 8,200 hectolitres compared with the same three month period of 2009. The balance of the decrease in sales volumes is primarily attributed to the previously mentioned retail distribution challenges. These decreases were partially offset by the successful launch of Gopher lager in June 2010 along with a successful "On-Premise" distribution drive.

For the nine months ended September 30, 2010, net sales revenue decreased $453 (1.3%) compared to the same period of 2009. The decline in sales volumes during the third quarter, discussed above, more than offset the previously reported increases in sales volumes experienced in the first and second quarters as well as the impact of first quarter price increases. For the nine months ended September 30, 2010, sales volumes were 1.5% lower than the same period of 2009 primarily as a result of the decreased volumes in the third quarter of 2010, which offset the previously reported gains from the first and second quarters.

For the three and nine months ended September 30, 2010, cost of sales decreased by $1,241 (19.7%) and $469 (3.2%), respectively, compared to the same periods last year. The decreases in the total cost of sales were primarily due to lower costs of ingredients, glass and packaging materials, and labour charges associated with the lower production volumes.

Cost of sales now includes amortization charges on production equipment used to convert raw materials to finished goods. For the three and nine months ended September 30, 2010 cost of sales includes amortization of $357 (2009 - $402) and $1,027 (2009 - $1,198), respectively. Prior period information has been reclassified for comparative purposes.

On a per hectolitre basis, cost of sales for the three and nine months ended September 30, 2010 decreased by $1.89 per hl (2.1%) and $1.46 per hl (1.6%), respectively, compared with the same three and nine month periods of 2009. The lower cost of sales were primarily due to decreased amortization on production equipment, now included in cost of sales, as well as reduced overhead and staffing costs compared with the same periods of 2009. 2009 cost of sales were higher primarily due to overtime required to meet production requirements associated with the demand for Big Rock's Lime Light lager.

Accruals under the annual incentive plan, which contributed to variances in cost of sales during the first and second quarters of 2010, did not materially impact cost of sales for the three and nine months ended September 30, 2010, as similar amounts had been accrued in the third quarter 2009.

Gross profit for the three months ended September 30, 2010 decreased to $7,163 (58.5%) from $9,101 (59.0%) for the same quarter in 2009. The decrease is primarily due to the decline in sales volumes discussed above. For the nine months ended September 30, 2010, gross profit remained consistent with the same period last year. The consistent gross profit reflects management's continued focus on production related costs, both fixed and variable, in response to the decline in sales volumes.

Selling, General and Administrative expenses

	Three Months Ended September 30			Nine Months Ended September 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Selling:						
Delivery and distribution	**1,027**	1,304	(277)	**2,945**	3,019	(74)
Other: salaries, point-of-sale ("POS") materials and promotional expenses	**3,185**	2,978	207	**8,720**	7,724	996
Total	**4,212**	4,282	(70)	**11,665**	10,743	922
Selling costs per hectolitre	**$ 72.42**	$ 60.44	$11.98	**$ 70.63**	$ 64.06	$ 6.57
General and Administrative:						
Salaries and benefits	**480**	631	(151)	**1,628**	1,318	310
Other	**422**	546	(124)	**1,644**	1,559	85
Total general and administrative expenses	**902**	1,177	(275)	**3,272**	2,877	395
% of net sales revenue	**7.4%**	7.6%	(0.2%)	**9.3%**	8.1%	1.2%

Accruals under the annual incentive plan, which contributed to variances in delivery and distribution charges and general and administrative expenses during the first and second quarters of 2010, did not materially impact these variances for the three and nine months ended September 30, 2010, as similar amounts had been accrued in the third quarter 2009.

Total delivery and distribution costs decreased primarily as a result of lower volumes delivered. These decreases were partially offset by growth in the brewery's out of province sales during the first and second quarters of 2010 compared with the same periods last year. For the three and nine months ended September 30, 2010, delivery and distribution costs have decreased on a per hectolitre basis, by $0.75/hl (4.1%) and $0.17/hl (1.0%), respectively, as a result in the change in distribution mix amongst the provinces where Big Rock products were sold.

For the three and nine months ended September 30, 2010, other selling expenses, which is comprised primarily of salaries and promotional materials, increased $207 and $996, respectively, over the same periods last year. The increases were due primarily to higher sponsorship and promotional amounts relating to the 25th year of operations of the brewery and new packaging designs ($483 and $1,267, respectively). These increases were partially offset by lower staffing and POS merchandise costs ($276 and $271, respectively). On a per hectolitre basis, other selling costs for the three and nine months ended September 30, 2010 increased by $12.74 and $6.74 per hl, respectively, compared with the same periods last year. Big Rock continued its support of community events, brand awareness and other selling initiatives aimed at increasing consumer demand throughout 2010. However, the lower sales volumes attributable to the factors mentioned earlier resulted in higher per hectolitre other selling costs compared to the same periods last year.

General and administration expenses consist primarily of salaries and benefits, and other costs. For the three months ended September 30, 2010, salaries and benefits decreased primarily due to the inclusion in 2009 of $115 for severance costs, for which no similar amounts were recorded in 2010. For the nine months ended September 30, 2010, salaries and benefits increased due to higher staffing levels and corresponding salaries, including benefits and perquisites ($347) and unit based compensation ($37) partially offset by lower severance costs ($74) compared to the same period last year.

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 September 30, 2010, other general and administration amounts decreased as a result of lower professional fees relating to the upcoming change in the taxation of trusts and work associated with the International Financial Reporting Standards conversion project. For the nine months ended September 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 performed earlier in the year. The Trust's response to the change in the taxation of trusts and an update on the International Financial Reporting Standards conversion project are discussed later in this MD&A.

Interest

	Three Months Ended September 30			Nine Months Ended September 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Interest on long-term debt	**37**	31	6	**105**	85	20
Interest on bank indebtedness	—	2	(2)	**3**	25	(22)
Total	**37**	33	4	**108**	110	(2)
Effective interest rate	**4.10% to 4.82%**	3.28% to 3.53%		**2.76% to 3.92%**	2.94% to 3.19%	

The principal amount of long-term debt and bank indebtedness was $3,557 as at September 30, 2010 and 2009. Interest expense was consistent for the three and nine months ended September 30, 2010 compared to 2009. Higher interest rates were offset by reduced utilization of the credit facility during the quarter. 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 September 30			Nine Months Ended September 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Amortization included in cost of sales	**357**	402	(45)	**1,027**	1,198	(171)
Amortization - other	**72**	96	(24)	**216**	286	(70)
Total	**429**	498	(69)	**1,243**	1,484	(241)

For the three months ended September 30, 2010, amortization expense included in cost of sales decreased by $45 compared with the same period last year, primarily as a result of lower net book values on production assets. For the same three month period, other amortization expense decreased $24 due to lower net book values on non-production assets.

For the nine months ended September 30, 2010, amortization expense included in cost of sales decreased by $171 compared with the same period last year, primarily because lower net book values on production assets. For the same period, other amortization expense decreased $70 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 September 30			Nine Months Ended September 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Total	**92**	62	30	**251**	211	40

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 nine 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 September 30			Nine Months Ended September 30		
$ thousands (unless otherwise stated)	**2010**	2009	Change	**2010**	2009	Change
Future income tax expense (recovery)	**62**	499	(437)	**131**	157	(26)

During the third quarter, the Trust recorded future income tax expense of $62 compared to $499 in the same period last year. The income tax provision represents 28.8% 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 nine months of the year, the Trust recorded future income tax expense of $131 compared to $157 in the same period last year. The income tax provision represents 33.8% 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.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Balance Sheets from December 31, 2009 to September 30, 2010:

$ thousands (unless otherwise stated)	**Increase/ (Decrease)**	**Primary factors explaining change**
Cash	398	Increased cash from operations
Accounts receivable	(1,023)	Primarily due to lower sales
Inventories	1,273	Primarily build up of finished product for seasonal brews
Property, plant and equipment	(387)	Capital asset additions, net of amortization
Deferred charges and other assets	(37)	Reclassification to property, plant and equipment
Accounts payable and accrued liabilities	(833)	Payment of year-end balances and timing of bonus accruals
Future income taxes	131	Tax effect of change in capital assets

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

$ thousands (unless otherwise stated)	**September 30, 2010**	**December 31, 2009**
Cash	**$ 1,126**	$ 728
Total debt, including bank indebtedness	**3,557**	3,557
Unitholders' equity:		
Unitholders' capital	**19,163**	18,431
Contributed surplus	**666**	741
Undistributed income	**6,785**	6,529
Total unitholders' equity	**26,614**	25,701
Total capitalization (total debt plus unitholders' equity)	**30,171**	29,258
Total debt-to-capitalization ratio	**11.8%**	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 $5.0 million 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 as at September 30, 2010 the loan balance of $3,557 was presented as current portion of long term debt on the balance sheet. At September 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 September 30, 2010, there were 6,057,678 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	**43,000**	732
Balance as at September 30, 2010	**6,057,678**	19,163

As at November 4, 2010, there were 6,057,678 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 November 4, 2010 was $15.64 per unit. Based upon 6,057,678 issued units, the Trust has an approximate market capitalization of $94.7 million.

A total of 605,328 unit options to purchase units (being 10% of all outstanding units as at May 20, 2010) are available for grants under the Option Plan. As at September 30, 2010 a total of 262,000 unit options were outstanding and expire at various dates up to August 2015 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
Exercised	**(17,900)**	**$ 15.26**	–	–
Expired	**(152,100)**	**$ 19.07**	(2,900)	$ 12.65
Balance as at June 30	**144,900**	**$ 15.60**	486,600	$ 16.91
Issued	**120,000**	**$ 17.00**	–	–
Exercised	**(2,900)**	**$ 15.26**	–	–
Balance as at September 30	**262,000**	**$ 16.24**	486,600	$ 16.91

As at November 4, 2010, there were a total of 262,000 unit options outstanding.

Cash Flows

Cash Provided by Operating Activities

Cash provided by operating activities for the three months ended September 30, 2010 decreased by $1,040 compared with the same three month period last years. For the nine months ended September 30, 2010, cash provided by operating activities totalled $6,153 compared to $7,913 for the same period last year. These decreases were driven by lower sales due to adverse weather in the third 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 nine months ended September 30, 2010, capital spending, net of dispositions, was $197 and $973, respectively, compared to $240 and $621, respectively, for the same periods in 2009. Capital spending, net of dispositions, for the three months ended September 30, 2010 included $71 for new kegs, $57 for new glass containers, $43 for production equipment in the brewing operations, $17 for furniture and equipment, $8 for new vehicles and $1 for leasehold improvements to the brewery's buildings. For the nine months ended September 30, 2010, net capital spending included $403 for production equipment in the brewing operations, $211 for new kegs, $172 for new vehicles, $97 for new glass containers, $48 for leasehold improvements to the brewery's buildings and $42 for furniture and equipment.

Financing Activities

Cash used in financing activities throughout the three and nine month periods ended September 30, 2010 decreased by $937 and $1,324, respectively, compared with the same periods last year. During the three and nine months ended September 30, 2010, the decrease in cash used was driven primarily by repayments of amounts previously drawn on the credit facility combined with the receipt of cash proceeds from the exercise of employee unit options. Partially offsetting these amounts were the impact of higher distributions during the three and nine months ended September 30, 2010, of $206 and $578, respectively, compared with the same periods last year.

The balance drawn against the facility fluctuates depending on working capital requirements. At September 30, 2010, there was no balance owing on this facility (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.

On October 28, 2010, the Trust renewed the term financing for a period of five years. The loan is repayable in blended monthly instalments of approximately $65.5 thousand, including interest at ATB's prime plus 1.25 per cent.

The Trust also signed a $6.5 million credit facility available in two tranches of $2.0 million each and one tranche of $2.5 million to finance capital asset expansions. Once advances under a tranche total $2.0 million or $2.5 million as outlined above, the respective tranche will convert to a reducing term loan. Until such time as the facility is converted, interest will be payable at ATB's prime plus 1.25 per cent. Following conversion, the term loans will be amortized over periods up to 10 years, with terms ranging from 1 to 5 years. Undrawn amounts under the facility expire on September 30, 2011, if not extended.

The term financing and credit facility impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at September 30, 2010, Big Rock was in compliance with all covenants.

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 nine months ended September 30, 2010, the Trust distributed $1,817 and $5,438, respectively, to unitholders compared with $1,611 and $4,860, respectively for the same three and nine month periods in 2009.

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
July	30-Jul	16-Aug	$0.10	31-Jul	14-Aug	$0.09
August	31-Aug	15-Sep	$0.10	31-Aug	15-Sep	$0.09
September	30-Sept	15-Oct	$0.10	30-Sept	15-Oct	$0.10

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.

Corporate Conversion

On October 21, 2010, the Trust announced its plan to convert from an income trust to a dividend paying corporate entity in anticipation of changes in taxation of income trusts. The conversion is expected to be effective on or about January 1, 2011.

Big Rock, based on its operational outlook, expects to be able to maintain its current monthly distribution of $0.10 per Trust unit for 2010 ($1.20 per unit annualized). Currently the Trust anticipates that subsequent to the Conversion a quarterly dividend in the amount of approximately $0.20 per share ($0.80 per share annualized) will be paid to shareholders of the Corporation. The dividend level represents an adjustment to the current annualized distribution rate of $1.20 per unit due to the anticipated tax that the business will be subject to in 2011 and the expected impact of current industry trends expected to continue into 2011. The anticipated quarterly dividend would represent a payout ratio of approximately 70% to 80% of after-tax cash flows. This dividend policy will continue to provide investors with an attractive yield, while providing an opportunity for growth.

Going forward, Big Rock's intention is to continue to reward its investors with dividends consistent with the performance of the brewery. In determining actual dividend levels, the Board will consider the financial performance, capital plans, growth opportunities, expectations of future economic conditions and other factors.

Since the level of dividends 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 dividends cannot be assured. Dividend amounts are subject to the risk factors described herein and in the Trust's public disclosure documents including its current Annual Information Form.

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 $2,403 of returnable glass containers since converting to the Industry Standard Bottle in early 2002. The net book value of returnable glass containers as at September 30, 2010 totalled $622 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 September 30, 2010, unit based compensation expense resulted in a recovery of $32 (2009 – nil) as a result of changes in the market price and expired options. For the nine months ended September 30, 2010, unit based compensation expense totalled $3 (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 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 nine months ended September 30, 2010 total $36 and $108, respectively, compared to $31 and $86, respectively, for the same periods in 2009. As at September 30, 2010 and December 31, 2009, no amounts were owing to the consultant. All amounts have been recorded at the exchange amount.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at September 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.

- During the quarter, the Trust entered into an agreement with ENMAX Energy Corporation to provide electricity for a period of three years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

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 September 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 the multi-national breweries to continue their aggressive pricing strategies and "bonus pack" initiative for the balance of 2010. In response to this, Big Rock will continue to invest in strategic marketing opportunities to create brand awareness and drive consumer demand throughout the Big Rock portfolio of brands for the balance of 2010 and into 2011.

In addition, management will continue to monitor and assess the selling prices of its products, increase retail distribution and implement its planned innovation strategy. Management will also continue to focus on overall efficiencies while actively managing its operating, selling and general and administrative expenses – 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 Annual Information Form for the year ended December 31, 2009 (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

(unaudited) $ thousands (unless otherwise stated)	September 30, 2010	December 31, 2009
ASSETS (note 6)		
Current		
Cash	$ **1,126**	$ 728
Accounts receivable (note 3)	**2,594**	3,617
Inventories (note 4)	**5,003**	3,730
Prepaid expenses and other	**297**	305
	9,020	8,380
Property, plant and equipment (note 5)	**27,561**	27,948
Deferred charges and other assets	—	37
Total assets	$ **36,581**	$ 36,365
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Current portion of long term debt (note 6)	$ **3,557**	$ —
Accounts payable and accrued liabilities (note 11)	**3,291**	4,124
Distributions payable (note 7)	**606**	601
	7,454	4,725
Long term debt (note 6)	—	3,557
Future income taxes	**2,513**	2,382
	9,967	10,664
Unitholders' equity		
Trust unitholders' capital (note 8)	**19,163**	18,431
Contributed surplus	**666**	741
Undistributed income	**6,785**	6,529
	26,614	25,701
Commitments (note 12)		
Total liabilities and unitholders' equity	$ **36,581**	$ 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 September 30 **2010**	 2009	Nine months ended September 30 **2010**	 2009
Net Revenue	**$ 12,234**	$ 15,413	**$ 35,250**	$ 35,703
Cost of sales	**5,071**	6,312	**14,411**	14,880
Gross profit	**7,163**	9,101	**20,839**	20,823
Expenses				
Selling	**4,212**	4,282	**11,665**	10,743
General and Administrative	**902**	1,177	**3,272**	2,877
Interest on Long Term Debt (note 6)	**37**	31	**105**	85
Interest on Bank Indebtedness (note 6)	—	2	**3**	25
Amortization	**72**	96	**216**	286
	5,223	5,588	**15,261**	14,016
Other Income	**92**	62	**251**	211
Income before income taxes	**2,032**	3,575	**5,829**	7,018
Future income tax expense	**62**	499	131	157
Net income and comprehensive income for the period	**1,970**	3,076	**5,698**	6,861
Undistributed income, beginning of period	**6,632**	6,360	**6,529**	5,824
Cash distributions declared (note 7)	**(1,817)**	(1,671)	**(5,442)**	(4,920)
Undistributed income, end of period	**$ 6,785**	$ 7,765	**$ 6,785**	$ 7,765

Net income per unit:				
Basic and diluted	**$ 0.33**	$ 0.51	**$ 0.94**	$ 1.14

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) $ thousands (unless otherwise stated)	Three months ended September 30 **2010**	 2009	Nine months ended September 30 **2010**	 2009
OPERATING ACTIVITIES				
Net income for the period	**$ 1,970**	$ 3,076	**$ 5,698**	$ 6,861
Items not affecting cash:				
Amortization	**429**	498	**1,243**	1,484
Gain on sale of assets	**—**	(4)	**(4)**	(11)
Unit based compensation	**(32)**	—	**3**	—
Future income tax expense	**62**	499	**131**	157
	2,429	4,069	**7,071**	8,491
Net change in non-cash working capital related to operations (note 10)	**1,732**	1,132	**(918)**	(578)
Cash provided by operating activities	**4,161**	5,201	**6,153**	7,913
FINANCING ACTIVITIES				
Distribution payments	**(1,817)**	(1,611)	**(5,438)**	(4,860)
Repayment of bank indebtedness	**(1,065)**	(2,164)	**—**	(1,246)
Cash received on exercise of options	**44**	—	**656**	—
Cash used in financing activities	**(2,838)**	(3,775)	**(4,782)**	(6,106)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(198)**	(235)	**(978)**	(641)
Proceeds from sale of equipment	**1**	4	**5**	32
Purchase of deferred charges and other assets	**—**	(9)	**—**	(12)
Cash used in investing activities	**(197)**	(240)	**(973)**	(621)
Net increase (decrease) in cash	**1,126**	1,186	**398**	1,186
Cash and cash equivalents, beginning of period	**—**	—	**728**	—
Cash and cash equivalents, end of period	**$ 1,126**	$ 1,186	**$ 1,126**	$ 1,186

Supplemental disclosure of cash flow information:				
Cash interest paid (note 6)	**$ —**	$ —	**$ —**	$ —
Cash income taxes paid	**$ 37**	$ 33	**$ 108**	$ 111

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:

	September 30, 2010		**December 31, 2009**	
$ thousands (unless otherwise stated)	**Over 90 days**	**Total**	Over 90 days	Total
Provincial liquor boards	**89**	**2,106**	33	1,882
Co-packing customer and supplier rebates	**254**	**422**	480	1,513
GST and other receivables	**4**	**66**	30	222
	347	**2,594**	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 for the three months ended September 30, 2010 would be affected by $7 (2009 – nil) and for the nine months ended September 30, 2010, $20 (2009 - $nil).

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 $2 for the three months ended September 30, 2010 (2009 – $nil) and $10 for the nine months ended September 30, 2010 (2009 – nil).

4. INVENTORIES

$ thousands (unless otherwise stated)	**September 30, 2010**	December 31, 2009
Raw materials and returnable glass containers	**1,065**	1,054
Brews in progress	**824**	657
Finished product	**2,284**	1,518
Consignment product	**88**	50
Promotional and resale goods	**742**	451
	5,003	3,730

During the three months ended September 30, 2010, charges of $23 (2009 - $14) were recorded to net income relating to obsolete, damaged or unsellable packaging inventory and promotional and resale goods, and damaged finished goods inventory.

During the nine months ended September 30, 2010, charges of $123 (2009 - $51) were recorded to net income relating to obsolete, damaged or unsellable packaging inventory and promotional and resale goods, and 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 and nine months ended September 30, 2010 and 2009.

Finished goods inventory includes $157 (2009 – nil) of amortization charges on production equipment used to convert raw materials to finished goods.

5. PROPERTY, PLANT & EQUIPMENT

	September 30, 2010		
$ thousands (unless otherwise stated)	Cost	Accumulated amortization	Net book value
Land	$ **2,516**	$ **–**	$ **2,516**
Buildings	**11,878**	**3,224**	**8,654**
Production equipment	**33,939**	**18,319**	**15,620**
Vehicles	**1,141**	**879**	**262**
Furniture and fixtures	**2,303**	**1,794**	**509**
	$ **51,777**	$ **24,216**	$ **27,561**

	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 nine months ended September 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 $5.0 million 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 September 30, 2010, no balance was outstanding on the facility (December 31, 2009 - nil). For the three months ended September 30, 2010 the effective interest rate was 4.82% (2009 – 3.28%). For the nine months ended September 30, 2010, the effective interest rate was 2.76% (2009 – 2.94%).

The facility imposes a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at September 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 September 30, 2010 was 4.10% (2009 – 3.53%). The effective interest rate for the nine months ended September 30, 2010 was 3.92% (2009 – 3.19%).

On October 28, 2010, the Trust renewed the term financing for a period of five years. The loan is repayable in blended monthly instalments of approximately $65.5 thousand, including interest at ATB's prime plus 1.25 per cent.

The Trust also signed a $6.5 million credit facility available in two tranches of $2.0 million each and one tranche of $2.5 million to finance capital asset expansions. Once advances under a tranche total $2.0 million or $2.5 million as outlined above, the respective tranche will convert to a reducing term loan. Until such time as the facility is converted, interest will be payable at ATB's prime plus 1.25 per cent. Following conversion, the term loans will be amortized over periods up to 10 years, with terms ranging from 1 to 5 years. Undrawn amounts under the facility expire on September 30, 2011, if not extended.

The term financing and credit facility impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. As at September 30, 2010, Big Rock was in compliance with all covenants.

7. DISTRIBUTIONS PAYABLE

The Trust declared distributions of $1,817 for the three months ended September 30, 2010 (2009 - $1,671) and declared distributions of $5,442 for the nine months ended September 30, 2010 (2009 - $4,920). Distributions of $606 were paid on October 15, 2010 in respect of income for the month of September 2010 (October 15, 2009; $601 in respect of income for September 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	43,000	732	—	—
Units cancelled (returned to treasury)	—	—	(1,892)	—
Balance as at September 30	6,057,678	19,163	6,014,678	18,431

Unit Based Compensation Plan

As at September 30, 2010, 493,250 UAR's were outstanding (2009 – 634,250). During the three months ended September 30, 2010, no UAR's were issued (2009 – nil), 15,000 UAR's were exercised (2009 – nil) and no UAR's were cancelled (2009 – nil). During the nine months ended September 30, 2010, no UAR's were issued (2009 – nil), 15,000 were exercised (2009 – nil) and 126,000 (2009 – nil) were cancelled in respect of employees no longer with the brewery.

As at September 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 $3 for the nine months ended September 30, 2010. A recovery of $32 was released to general and administrative expenses for the three months ended September 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:

$ thousands (unless otherwise stated)	2010 # of Units	2010 Weighted Average Exercise Price	2009 # of Units	2009 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
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
Issued	**120,000**	**17.00**	—	—
Exercised	**(2,900)**	**15.26**	—	—
Balance, September 30	**262,000**	**$ 16.24**	486,600	$ 16.91

Exercise price	# of Options outstanding at September 30, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	# of Options exercisable at September 30, 2010
$15.26 to $17.71	**242,000**	**3.11**	**$ 16.12**	**242,000**
$17.72	**20,000**	**2.01**	**17.72**	**20,000**
	262,000	**3.02**	**$ 16.24**	**262,000**

Contributed Surplus

$ thousands (unless otherwise stated)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Balance, beginning of period	**671**	**702**	**741**	741
Transfer to capital relating to options exercised	**(5)**	**(31)**	**(39)**	–
Balance, end of period	**666**	**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 September 30		Nine months ended September 30	
	2010	**2009**	**2010**	2009
Accounts receivable	**1,815**	593	**1,023**	(1,286)
Inventories	**396**	(489)	**(1,116)**	(495)
Prepaid expenses and other	**151**	193	**8**	(51)
Accounts payable and accrued liabilities	**(630)**	835	**(833)**	1,254
	1,732	1,132	**(918)**	(578)

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 September 30, 2010 total $36 (2009 - $31) and for the nine months ended September 30, 2010 total $108 (2009 - $86). As at September 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 September 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.

- During the quarter, the Trust entered into an agreement with ENMAX Energy Corporation to provide electricity for a period of three years beginning September 1, 2010 and ending August 31, 2015 at a fixed rate of $67.61 per megawatt hour.

13. SUBSEQUENT EVENT

Corporate Conversion

On October 21, 2010, the Trust announced its plan to convert from an income trust to a dividend paying corporate entity in anticipation of changes in taxation of income trusts. The conversion is expected to be effective on or about January 1, 2011.

Big Rock, based on its operational outlook, expects to be able to maintain its current monthly distribution of $0.10 per Trust unit for 2010 ($1.20 per unit annualized). Currently the Trust anticipates that subsequent to the Conversion a quarterly dividend in the amount of approximately $0.20 per share ($0.80 per share annualized) will be paid to shareholders of the Corporation. The dividend level represents an adjustment to the current annualized distribution rate of $1.20 per unit due to the anticipated tax that the business will be subject to in 2011 and the expected impact of current industry trends expected to continue into 2011. The anticipated quarterly dividend would represent a payout ratio of approximately 70% to 80% of after-tax cash flows. This dividend policy will continue to provide investors with an attractive yield, while providing an opportunity for growth.

Going forward, Big Rock's intention is to continue to reward its investors with dividends consistent with the performance of the brewery. In determining actual dividend levels, the Board will consider the financial performance, capital plans, growth opportunities, expectations of future economic conditions and other factors. Dividend amounts are subject to the risk factors described herein and in the Trust's public disclosure documents including its current Annual Information Form.

14. COMPARATIVE AMOUNTS

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