

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

This Management's Discussion and Analysis ("MD&A") of Russell Breweries Inc. ("Russell" or the "Company") dated May 30, 2013 provides an analysis of Russell's results of operation and financial condition for the nine months ended March 31, 2013. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements, and accompanying notes for the nine months ended March 31, 2013 and with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2012 and 2011. Additional information related to Russell Breweries Inc. is available on SEDAR at www.sedar.com and on the Company's website at www.russellbeer.com.

The unaudited condensed consolidated interim financial statements and related notes of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*. All financial amounts in this MD&A are in Canadian dollars, except as otherwise indicated.

This MD&A was approved and authorized for issuance by the Board of Directors on May 30, 2013.

FORWARD LOOKING STATEMENTS

This report contains forward-looking information that is based on the Company's plans, intentions and expectations. By definition, forward-looking information involves risks, uncertainties and assumptions and is not a guarantee of future performance. Actual results could differ significantly from those anticipated, and hence investors should use caution when considering this information and not to put undue reliance on forward-looking statements.

OVERVIEW

Through its wholly-owned subsidiaries, Russell Brewing Company Ltd. located in Surrey, BC, and Fort Garry Brewing Company Ltd. located in Winnipeg, Manitoba, Russell Breweries Inc. ("the Company") operates two craft breweries producing premium quality beers for pubs, restaurants and liquor stores. The Company acquired Fort Garry Brewing Company Ltd. ("Fort Garry") on October 22, 2007. Fort Garry is Manitoba's oldest and largest brewer and distributor of premium quality beers. The Company's operations include production facilities in Surrey, BC and Winnipeg, Manitoba, corporate offices in Surrey, BC, storage facilities, brewing equipment, and delivery and sales vehicles. Both breweries produce a variety of limited and seasonal products in addition to their main product lines including: Russell Cream Ale, Russell Pale Ale, Russell Honey Blonde Ale, Russell Extra Special Lager, Russell IP'eh! India Pale Ale, A Wee Angry Scotch Ale, Blood Alley Bitter, Russell Lemon Ale, Rocky Mountain Pilsner, Fort Garry Dark Ale, Fort Garry Pale Ale, Fort Garry Premium Light, Fort Garry Red and Stone Cold Lager.

BUSINESS DEVELOPMENTS AND SIGNIFICANT EVENTS

On November 4, 2011, the Company's wholly owned subsidiary Russell Brewing Company Ltd. was recognized with a 'Best Business Award' at the Surrey Board of Trade 13th Annual Surrey Business Excellence Awards.

On November 22, 2011, the Company announced a non-brokered private placement, on a best efforts basis, for gross proceeds of up to \$500,000 in the form of equity units consisting of common shares and warrants to purchase common shares of the Company. On January 20, 2012, the Company completed the financing with gross proceeds totaling \$765,000 (LIQUIDITY AND CAPITAL RESOURCES: Financing).

On December 5, 2011, the Company and Storm Brewing, two of British Columbia's independent Craft Brewers, join together to release a new collaborative beer called The Big Smoke. This strong, smoky ale was jointly brewed by Storm Brewing and Russell Brewing using 10% Peat Smoked Malt and Bravo and Willamette Hops. This is a malt-forward beer with a big smoke aroma and a well-balanced hop finish. Limited edition, single-batch brew available in 650ml bottles through private liquor stores in BC. This beer is part of the new Collaboration Series which is a succession of small-batch brews created by independent brewers working together to create new beers that push the boundaries of taste.

On March 2, 2012, the Company released its new super-premium, single-batch beer - Nectar of the Gods Wheat Wine Ale. The entire batch was pre-sold and is currently available in select private retailers in Metro Vancouver. Nectar of the Gods Wheat Wine Ale is the first barrel-aged beer from the Company. The beer was carefully aged in Tennessee Whiskey barrels for over four months. The aging process provided the beer with layers of flavour complexity including a fruity-ester character and vanilla-like flavours and tannins.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

BUSINESS DEVELOPMENTS AND SIGNIFICANT EVENTS (continued)

On March 9, 2012, the Company granted incentive stock options to its employees, consultants, directors and officers on 3,000,000 common shares in its capital, exercisable for up to five years at a price of \$0.10 per share. The options shall vest in accordance with the Company's stock option plan. The Company did not proceed with the 2,500,000 stock options announced on March 21, 2010.

On March 12, 2012, the Company launched 'Fort Garry – Kona Imperial Stout' limited release as part of the new Fort Garry Brewmaster Series. Brewed with two ten different malts, two types of hops and over 50 pounds of rich roasted coffee beans harvested from sunny shores of Kona, Hawaii.

On March 29, 2012, the Company host the production of the 2012 Vancouver Craft Beer Week (VCBW) Collaboration Ale at its facility in Surrey, BC. In celebration of BC's largest craft beer festival, thirty of BC's finest breweries banded together to create a unique Cascadian Brown Ale.

On April 2, 2012, the Company issued 125,000 common shares in its capital as bonus shares to each of its two directors who provided personal guaranties for a \$100,000 working capital loan from the Business Development Bank of Canada.

On April 4, 2012, Fort Garry Brewing Company Ltd., a wholly owned subsidiary of the Company, introduced a new specialty beer to the Manitoba market called Fort Garry Kona Imperial Stout. This is the newest beer from the super-premium Fort Garry Brewmaster Series which is a group of small-batch, limited-edition beers brewed for craft beer enthusiasts. Fort Garry - Kona Imperial Stout is now available in limited supply in single-serve 650ml bottles at the stores of Manitoba Liquor Control Commission (MLCC).

On May 8, 2012, the Company won a silver medal at the prestigious World Beer Cup 2012 for its Russell IP'eh! India Pale Ale. This is the second time this beer has been honoured with a medal at the World Beer Cup – in 2010 it won bronze.

On May 24, 2012, the Company released the Rick August Russian Imperial Stout, Grand Prize Winner of the 2011 Golden Stag Home Brewing Contest.

On June 12, 2012, the Company was awarded a Silver Medal at the Canadian Brewing Awards for the 'Fort Garry – Kona Imperial Stout'.

On June 13, 2012, the Company won a silver medal for Nectar of the Gods Wheat Wine Ale at the Canadian Brewing Awards in Montreal on Saturday June, 2012 in the Wood and Barrel Aged Strong Beer category. Nectar of the Gods Wheat Wine Ale is the Company's first barrel-aged beer. Fort Garry Brewing Company, a wholly owned subsidiary of the Company, was also awarded a silver medal at the Canadian Brewing Awards for their Kona Imperial Stout as part of their new Brewmaster Series.

On July 10, 2012, the Company celebrates its 17th Anniversary with a limited edition barrel aged Scotch Ale. This strong, dark ale was brewed with Scottish specialty peated malts for a slightly smoky character then skillfully aged in Bourbon barrels. A special Anniversary Ale crafted by our team of brewers to thank everyone for enjoying our unique beers throughout the years.

On July 13, 2012, the Company announced that it agreed to terms under a letter of intent for the initial non-exclusive rights to import, produce, package, use, market, sell and distribute Russell brands and branded merchandise with FVI Capital Inc. ("FVI") in China. The letter specifies the principal terms of a technology and trade mark license agreement ("Agreement") which includes an initial up-front licensing fee, to be paid by a new Company ("Licensee") being established by FVI to hold the license and ongoing royalties based on volume of beer produced up to 50,000 hectoliters. The Company will take an initial 20% equity position in Licensee. As part of the agreement, the new Company has a 48 month first matching option to acquire an exclusive license for the entire Chinese market for an additional license fee payment and ongoing per hectoliter royalty payments and the Company has an option to increase its stake in the Licensee to 25% at Fair Market Value within the same 48 month term.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

BUSINESS DEVELOPMENTS AND SIGNIFICANT EVENTS (continued)

On July 26, 2012, the Company released its Blood Alley Bitter in 6 pack 341ml bottles.

On July 27, 2012, the Company announced that it agreed to a one year extension (the "Extension") and amendment to a loan agreement (the "Loan Agreement") dated December 31, 2007, pursuant to which the lender ("Lender"), a shareholder of Russell, had provided to the Company a loan (the "Loan") valued at maturity in the amount of \$1,239,000. (see LIQUIDITY AND CAPITAL RESOURCES)

On September 21, 2012, the Company released 'Russell Marzen', a seasonal limited release as part of the Russell Brewmaster Series.

On October 9, 2012, the Company completed a non-exclusive technology and trade mark license agreement ("Agreement") with Russell Breweries (China) Inc. to import, produce, package, use, market, sell and distribute Russell brands in China, including Hong Kong and Taiwan. The principal terms of the Agreement includes use of name for the new company, an initial up-front licensing fee and ongoing royalties based on volume of beer produced and sold. In addition, the Company will subscribe for a 20% equity position in Licensee with an option to increase its position to 25%.

On October 10, 2012, the Company released the next batch of the super-premium, single-batch beer - Nectar of the Gods Wheat Wine Ale. The entire batch was pre-sold to select private liquor stores in Metro Vancouver.

On November 15, 2012, the Company released 'Happy Jack Pumpkin Ale', a limited-edition seasonal beer as part of the Fort Garry Brewmaster Series.

On November 22, 2012, Mr. Paul Robertson has resigned as a Director of the Company. On November 26, 2012, Mr. Perpinder Singh Patrola was appointed to the Board of Directors and Mr. Robert Murray and Mr. Richard Shier resigned as Directors.

On November 23, 2012, the Company released 'Russell IP'eh! India Pale Ale' in 6 pack 341ml bottles.

On November 24, 2012, the Company released 'Hop Therapy Double IPA', a new single-batch brew as part of the Russell Brewmaster Series.

On November 26th, 2012, the Company released 'Naughty & Spiced Porter', a limited-edition seasonal beer as part of the Russell Brewmaster Series. The Company also released 'St Nick's Porter', a limited-edition seasonal beer as part of the Fort Garry Brewmaster Series.

The Company redeemed its convertible debentures maturing on November 4, 2012, December 3, 2012 and December 24, 2012 (the "Redemption Dates"). The aggregate principal amount of the convertible debentures outstanding was \$740,750. On the Redemption Dates, the Company redeemed the whole of the principal amount of the convertible debentures by issuing a total of 4,938,333 fully paid and non-assessable common shares in the capital of the Company, at a price equal to \$0.15 per common share (see LIQUIDITY AND CAPITAL RESOURCES).

On March 18, 2013, the Company announced non-brokered private placement for gross proceeds of up to \$1,000,000 in the form of equity units consisting of common shares and warrants to purchase common shares of the Company. On May 17, 2013, the Company completed the financing with gross proceeds totaling \$482,000 (see LIQUIDITY AND CAPITAL RESOURCES: Financing).

On March 31, 2013, the Company exercised its right, pursuant to an exchange agreement dated March 31, 2008 between the Company and the holders (the "Investors") of Class A Exchangeable Non-Voting Preferred Shares (the "Exchangeable Shares") in the capital of the Company's subsidiary, to purchase the exchangeable shares from the Investors. Each Exchangeable Share was exchanged for a total of 22.67 common shares (the "Common Shares") in the capital of the Company. The Company issued, as fully paid and non-assessable shares of the Company, an aggregate of 1,541,560 Common Shares to the Investors, in order to purchase an aggregate of 68,000 Exchangeable Shares held by the Investors and to settle the \$204,000 unpaid dividend amount as well as the maximum penalty for not paying all cumulative dividends due and payable as of March 31, 2011 (see LIQUIDITY AND CAPITAL RESOURCES: Financing).

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

BUSINESS DEVELOPMENTS AND SIGNIFICANT EVENTS (continued)

Further to the agreement signed with FVI Capital Inc. in October 2012, the Company announced, on May 2, 2013, that a test brewery and brewpub restaurant was scheduled to open this summer in Hefei, the largest city of Anhui Province of Eastern China with a population of 5.7 million.

On May 14th, 2013, the Company's wholly owned subsidiary, Russell Brewing Company Ltd., was honoured with two distinctions at 2013 Canadian Brewing Awards (CBA) in Victoria, BC. The Company took bronze for 'Black Death Porter' in the Porter category and bronze for 'Hop Therapy Double IPA' in the Imperial India Pale Ale category.

On May 15, 2013, Mr. Derrick Ma and Mr. Benjamin Yu were appointed to the Board Directors subject to TSX.V Exchange approval.

Currently, the Company's products are segmented into the following categories:

Categories	Brands
Super Premium	Russell Nectar of the Gods Wheat Wine Ale, Fort Garry Kona Imperial Stout, Russell Hop Therapy Double IPA, Truth Serum Wheat Wine
Premium:	Russell IP'EH!, Black Death Porter, Russell Marzen, A Wee Angry Scotch Ale, Blood Alley Bitter, Fort Garry Munich Eisbock, Portage and Main IPA
Session:	Russell Cream Ale, Russell Pale Ale, Russell Honey Blonde Ale, Russell Extra Special Lager, Fort Garry Dark, Fort Garry Pale, Fort Garry Rouge, Fort Garry Light, Citrus Twist, Craft Collection
Value:	Rocky Mountain Pilsner, Stone Cold Lager, Two Rivers
Seasonal:	Russell Lemon Ale, Russell Lime Lager, Russell Naughty & Spiced Porter , Russell Rick August Russian Imperial Stout
Partnership:	Chambar Ale, Main Street Pilsner, GUUU Ale, Bayside Shark Lager, Cactus Double Down Draught, The Big Smoke

SELECTED INFORMATION

The following table summarizes certain financial information of the Company for the periods indicated below:

Selected Information	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
	\$	\$	\$
Statement of Comprehensive Loss Data			
Gross Revenue	6,228,321	6,064,116	5,709,298
Net Sales (after excise tax and provincial mark-up)	4,857,006	4,665,014	4,504,847
Earnings (loss) before interest and other income, taxes, depreciation and amortization	450,466	3,266	(350,865)
Total income (loss) from continuing operations	(77,505)	(610,724)	(906,839)
Operating income (loss) per share	(0.00)	(0.01)	(0.02)
Net income (loss) and comprehensive income (loss)	(77,505)	(610,724)	(906,839)
Basic and diluted earnings (loss) per share	(0.00)	(0.01)	(0.02)
Statement of Financial Position Data			
Total assets	6,723,030	7,208,363	7,287,976
Total long term financial liabilities	187,823	283,441	1,539,605
Cash dividends declared per share	Nil	Nil	Nil

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

PERFORMANCE AND RESULTS OF OPERATIONS

Three Months Ended March 31, 2013 ("Q3 2013F")

The Company had a net income of \$73,595 for Q3 2013F compared to the net loss of \$241,403 for the period ended March 31, 2012 ("Q3 2012F"). The decrease in net loss is primarily a result of \$126,792 increase in gross margin, \$107,102 decrease in selling, general and administrative expenses, and \$70,973 decrease in other expenses.

Gross sales for Q3 2013F were \$1,918,693 down \$28,697 or 1.5% compared to \$1,947,390 for Q3 2012F. Net Sales for Q3 2013F were \$1,539,687 up \$5,332 or 0.4% compared to \$1,534,355 for Q3 2012F. The increase in the sales volumes of the Company's premium and super premium brands were key drivers for the increase in net revenue, which reflects the Company's marketing strategy with a focus on premium brands.

The gross margin for Q3 2013F increased \$126,792 or 15% to \$951,065 compared to \$824,273 for Q3 2012F. The gross margin percentage of Q3 2013F was up 8% to 62% compared to 54% for Q3 2012F. The increase in gross margin is primarily a result of the continued sales growth in higher margin premium and super premium brands.

Selling, general and administration expenses for Q3 2013F were \$822,532, down \$107,102 or 12% compared to \$929,634 for Q3 2012F.

Automotive decreased \$1,912 to \$38,092 from \$40,004, advertising and promotion decreased \$24,090 to \$165,079 from \$189,169, labour decreased \$24,001 to \$200,827 from \$224,828, office expense decrease \$21,247 to \$28,636 from \$49,883, travel decreased \$6,854 to \$3,608 from \$10,462, shop supplies decreased \$4,879 to \$5,212 from \$10,091, telephone decreased \$8,842 to \$9,991 from \$18,833, transfer agent and filing fees decreased \$4,623 to \$4,705 from \$9,328. The decreases are results of various improvements in operating efficiencies implemented since 2011.

Bank charge decreased \$2,009 to \$20,219 from \$22,228 due to the elimination of bank indebtedness which reflects an improved working capital driven by the continued positive EBITDA over the last twelve months, and a decrease in credit card sales related to the 1.5% decrease in gross sales in the period.

Consulting fees decreased \$10,500 to \$nil from \$10,500 due to termination of consulting agreement with a company controlled by a former director in August 2012. Director fees decreased \$9,000 to \$nil from \$9,000 due to the vacancy occurred on the board of directors over the period. Management fees are maintained at \$12,000 per month for each of the CEO and COO of the Company. Professional fees increased \$47,967 to \$127,046 from \$79,079. The increase in professional fees is a result of increased workload on legal works related to redemption of the Company's convertible debentures and conversion of the Company's subsidiary's exchangeable preferred shares.

Foreign exchange loss increased \$834 to \$1,598 from \$764 due to fluctuations of the exchange rate between the Canadian Dollar and the US Dollar.

Insurance increased \$4,351 to \$8,812 from \$4,461 due to adjustments made to reflect increased insurance coverage under new insurance policies.

Refundable container loss increased \$5,958 to \$1,754 loss from \$4,204 gains, which reflects seasonal adjustments on returning containers.

Rent and utilities decreased \$27,335 to \$122,947 from \$150,282 due to cost savings generated from sublease of idle space for \$5,382 per month and renewing and consolidating certain hydro accounts at a lower rate.

The Company also included \$2,267 recovery (Q3 2012F: \$28,885 expense) of share based compensation in selling, general and administration expenses. The \$2,267 recovery represents the net estimated fair value of 3,000,000 options granted to the Company's key employees and directors calculated at the grant date and recognized on the graded vesting method over the period during which 333,333 options vested, and 500,000 unvested options cancelled after the resignation of certain directors of the Company during the period.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

PERFORMANCE AND RESULTS OF OPERATIONS (continued)
Three Months Ended March 31, 2013 ("Q3 2013F")(continued)

Other expenses for Q3 2013F were down \$70,973 to \$27,307 compared to \$98,280 for Q3 2012F. The decrease is primarily a result of no accretion of and no interest charges on convertible debentures which was matured and converted to common shares in November and December 2012.

Nine Months Ended March 31, 2013 ("2013F YTD")

The Company had a net loss of \$77,505 for 2013F YTD compared to the net loss of \$610,724 for the period ended March 31, 2012 ("2012F YTD"). The decrease in net loss is primarily a result of \$379,518 increase in gross margin, and \$69,041 decrease in selling, general and administrative expenses, and \$80,288 decrease in other expenses.

Gross sales for 2013F YTD were \$6,228,321 up \$164,205 or 3% compared to \$6,064,116 for 2012F YTD. Net Sales for 2013F YTD were \$4,857,006 up \$191,992 or 4% compared to \$4,665,014 for 2012F YTD. The increase in the sales volumes of the Company's premium and super premium brands were key drivers for the increase in gross and net revenue, which reflects the Company's marketing strategy with a focus on premium brands.

The gross margin for 2013F YTD increased \$379,518 or 16% to \$2,797,516 compared to \$2,417,998 for 2012F YTD. The gross margin percentage of 2013F YTD was up 6% to 58% compared to 52% for 2012F YTD. The increase in gross margin is primarily a result of the continued sales growth in higher margin premium and super premium brands.

Selling, general and administration expenses for 2013F YTD were \$2,587,085 down \$69,041 or 3% compared to \$2,656,126 for 2012F YTD.

Automotive decreased \$19,089 to \$110,713 from \$129,802, advertising and promotion decreased \$11,221 to \$574,597 from \$585,818, labour decreased \$6,183 to \$641,736 from \$647,919, office expense decrease \$2,864 to \$111,967 from \$114,831, travel decreased \$8,847 to \$29,094 from \$37,941, shop supplies decreased \$7,133 to \$25,030 from \$32,163, and telephone decreased \$5,667 to \$44,281 from \$49,948. The decreases are results of various improvements in operating efficiencies implemented since 2011.

Bank charge decreased \$5,868 to \$59,376 from \$65,244 due to the elimination of bank indebtedness which reflects an improved working capital driven by the continued positive EBITDA over the last twelve months.

Consulting fees decreased \$18,000 to \$1,500 from \$19,500 due to termination of consulting agreement with a company controlled by a former director in August 2012. Director fees decreased \$5,802 to \$18,198 from \$24,000 due to the vacancy occurred on the board of directors over the period. Management fees are maintained at \$12,000 per month for each of the CEO and COO of the Company. Professional fees increased \$75,398 to \$290,626 from \$215,228. The increase in professional fees is a result of increased workload on legal works related to redemption of the Company's convertible debentures and conversion of the Company's subsidiary's exchangeable preferred shares.

Foreign exchange loss decreased \$8,854 to \$2,843 gains from \$6,011 loss due to fluctuations of the exchange rate between the Canadian Dollar and the US Dollar.

Overall insurance decreased \$1,799 to \$23,485 from \$25,284 due to consolidation of all subsidiaries' insurance policies with increased insurance coverage under one insurance company.

Refundable container gains increased \$20,833 to \$21,592 from \$759, which reflects seasonal adjustments on returning containers.

Rent and utilities decreased \$48,609 to \$373,418 from \$422,027 due to cost savings generated from sublease of idle space for \$5,382 per month and renewing and consolidating certain hydro accounts at a lower rate.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

PERFORMANCE AND RESULTS OF OPERATIONS (continued)
Nine Months Ended March 31, 2013 ("2013F YTD")(continued)

The Company also included \$38,124 (2012F YTD: \$28,885 expense) of share based compensation in selling, general and administration expenses, representing the estimated fair value of 3,000,000 options granted to the Company's key employees and directors calculated at the grant date and recognized on the graded vesting method over the period during which 1,277,778 options vested, and 500,000 unvested options cancelled after the resignation of certain directors of the Company during the period.

Other expenses for 2013F YTD were down \$80,288 to \$188,539 compared to \$268,827 for 2012F YTD. The decrease is primarily a result of no accretion of and no interest charges on convertible debentures since the debentures matured and converted to common shares in November and December 2012.

Summary of Quarterly Results

The following is selected financial information from the Company's eight most recently completed fiscal quarters:

Fiscal Year Quarter	2013F Q3	2013F Q2	2013F Q1	2012F Q4	2012F Q3	2012F Q2	2012F Q1	2011F Q4
	\$	\$	\$	\$	\$	\$	\$	Restated \$
Net revenues	1,539,687	1,510,530	1,806,789	1,812,981	1,534,355	1,474,424	1,656,235	1,369,025
SG&A ⁽¹⁾	822,532	909,712	854,841	1,088,438	929,634	896,284	830,208	1,364,002
EBITDA ⁽²⁾	220,334	82,485	147,646	29,704	(25,459)	(88,925)	117,650	(352,618)
Net income (loss)	73,595	(87,693)	(63,408)	(498,442)	(241,403)	(286,193)	(83,128)	(614,672)
Net earnings (loss) per share	0.00	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)

(1) SG&A represents Selling, General and Administrative expenses.

(2) EBITDA represents earnings before interest, income taxes, depreciation and amortization. EBITDA is a non-IFRS earnings measure, therefore it does not have any standardized meaning prescribed by International Financial Reporting Standards and may not be similar to measures presented by other companies. Management uses this measurement to evaluate the operating results of the Company.

The Company has historically experienced a seasonal pattern in its operating results, with the second and third quarters historically exhibiting lower revenues. Q3 2013F net sales were \$1,539,687 up \$29,157 compared to the net sales of \$1,510,530 for Q2 2013F. Q3 2013F net income were \$73,595 up \$161,288 compared to the net loss of \$87,693 for Q2 2013F. The increase in net sales and increase in net income is due to seasonality. The results in any one quarter are not indicative of results in any other quarter, or for the year as a whole.

Other significant impacts on quarterly expense trends may be share-based compensation expense which is included in selling, general and administrative expenses as follows: Q3 2013F \$2,267 recovery, Q2 2013F \$9,534, Q1 2013F \$30,857, Q4 2012F \$53,959, Q3 2012F \$28,885; Q2 2012F \$nil, Q1 2012F \$nil, and Q4 2011F \$14,246.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

At March 31, 2013, the Company had a net working capital deficit of \$598,258. The Company has \$165,421 of cash and \$100,000 of restricted cash securing \$100,000 of bank indebtedness. Liabilities include \$1,063,464 of accounts payable and accrued liabilities, \$1,027,931 of long-term debts, and \$116,282 of finance lease obligations.

The Company has an operating line of credit, six finance leases, six operating leases, two term loans, and one discount loan. As at March 31, 2013 and the date of this MD&A, the Company is in compliance with all of these covenants.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

LIQUIDITY AND CAPITAL RESOURCES (continued)
Financial Condition (continued)

Funds on hand are low due to seasonality, continued losses from operations and need for additional financing. The Company will need additional capital to fund its short term operating losses and planned non-discretionary capital expenditures for the next twelve months. The Company is seeking additional cash in the equity and/or debt markets. There is no guarantee that the Company will be able to raise additional equity or debt financing on favorable terms if at all or generate cash flow from operations in the future.

Cash Flow

Nine Months Ended March 31, 2013 ("2013F YTD")

Net cash provided in operating activities in 2013F YTD was \$361,941 compared to \$458,210 cash used in 2012F YTD, a decrease in use of \$820,151 due to a decrease of \$480,398 in net loss adjusted for non-cash items, 213,819 more cash collected in accounts receivable, and \$117,086 less cash used in accounts payable and accrued liabilities.

Cash used in 2013F YTD for investing activities was \$28,169 for purchasing equipment compared to \$22,520 used in 2012F YTD.

During 2013F YTD, the Company paid \$18,519 for interest on convertible debentures, repaid \$35,793 for bank indebtedness, repaid \$103,500 for long-term debts and \$39,738 for finance lease obligations compared to \$715,891 received for share subscription, repayment of \$49,344 for bank indebtedness, repayments of \$103,501 for long-term debts, repayments of \$40,066 for finance lease obligations, and payment of \$18,519 for interest on convertible debentures in 2012F YTD.

Outstanding Share Data

As at March 31, 2013, the Company had 68,710,455 common shares issued and outstanding. In addition, the Company had the following outstanding share data at the date of this MD&A:

Outstanding Share Data	Number of Common Shares	Exercise Price per Common Share	Expiry Dates
Issued and outstanding as at March 31, 2013	68,710,455	N/A	N/A
Private placement completed in May 2013	9,640,000		
Stock options	2,837,500	\$0.10	June 19, 2013 – March 9, 2017
Warrants	<u>9,640,000</u>	\$0.10	May 17, 2015
Fully Diluted as at May 30, 2013	<u><u>90,827,955</u></u>	N/A	N/A

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing

- (a) On October 5, 2010, the Company's subsidiary Fort Garry Brewing Company Ltd. accepted an offer of \$100,000 pre-authorized working capital loan from Business Development Bank of Canada ("BDC"). The BDC Loan, bearing interest at floating base rate plus a variance of 1%, repayable in monthly installments of \$1,750, maturing August 15, 2015, is secured by the assets of Fort Garry and supported by a guarantee made by two directors of the Company. In return for the guarantee, the Company is allowed to issue 250,000 common shares of the Company as bonus shares for a deemed value of \$0.08 per share for a total value of \$20,000, which was recorded as a discount against the value allocated to the loan. During the nine months ended March 31, 2013, the Company repaid \$15,750 plus interest of \$2,667. The Company also recorded interest expense of \$3,591 (2012 - \$4,667) related to the accretion of the discounted value of the loan, which has been recorded as interest on long-term debt in the statement of operations. As at March 31, 2013, the outstanding balance of the loan is \$45,091.

The Company also has a term bank loan with BDC, bearing interest at a floating base rate plus a variance of 1%, repayable in monthly installments of \$9,750 plus interest maturing November 15, 2014, secured by the assets of Fort Garry. During the nine month ended March 31, 2013, the Company repaid \$87,750 plus interest of \$11,378. As at March 31, 2013, the outstanding balance of the loan is \$195,000.

- (b) On December 31, 2010, the Company entered into an amendment and extension loan agreement to the loan agreement described in the June 30, 2011 financial statement note 10(c), pursuant to which the lender extended the maturity date to July 31, 2012 and reduced the loan amount to \$738,600 from \$1,239,000, provided that the Company repay the loan in the amount of \$619,000 on January 1, 2011 (paid). Pursuant to the amended loan agreement, the lender provides to the Company a new loan valued at maturity in the amount of \$738,600. A discounted value or loan advance amount of \$620,000 is calculated based on a 10% per annum interest rate, calculated semi-annually, with interest payable on maturity resulting in a total loan value at maturity of \$738,600. In consideration of the lender agreeing to amend and extend the loan, the lender will also earn a bonus of \$22,500 to be included in the loan amount. The term of the loan is nineteen months. The Company may repay the loan at any time without penalty by paying the discounted loan advance amount of \$620,000 together with accumulated interest. The loan is guaranteed by Russell Brewing Company Ltd. and Fort Garry Brewing Company Ltd., both wholly-owned subsidiaries of the Company.

On July 27, 2012, the Company agreed to an one year extension (the "Extension") and amendment to a loan agreement (the "Loan Agreement") dated December 31, 2007, pursuant to which the lender ("Lender"), a shareholder of the Company, had provided to the Company a loan (the "Loan") valued at maturity in the amount of \$1,239,000.

The Extension is for one year, with \$812,460 due on maturity on July 31, 2013. The Company has negotiated a discounted value or loan advance amount (the "Loan Advance Amount") of \$738,600, that is calculated based on a 10% per annum interest rate, calculated semi-annually, with interest payable on maturity, resulting in a total loan value of \$812,460 at maturity. In consideration of the Lender's agreement to amend and extend the Loan, the Lender will earn a bonus (the "Bonus") of \$24,374 to be included in the Loan amount. Russell may repay the Loan at any time without penalty by paying the Loan Advance Amount together with accumulated interest and prorated Bonus.

The Loan is guaranteed by Russell Brewing Company Ltd. and Fort Garry Brewing Company Ltd. both wholly-owned subsidiaries of the Company. As security for the Loan, the Company will grant to the Lender a subordinated security agreement creating a security interest and charge over all of their respective property and assets subordinate to senior debt and senior security of up to \$2.5 million plus capital lease obligations incurred for future acquisitions of equipment and other capital assets.

During the nine months ended March 31, 2013, the Company recorded interest expense of \$56,121 (2012 - \$57,150) related to the accretion of the discounted value of the loan, which has been recorded as interest on long-term debt in the statement of operations.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing (continued)

- (c) On December 19, 2011, the Company entered into a loan facility agreement with a primary lender in the amount of \$100,000, repayable at any time prior to January 31, 2012. An additional financing placement fee of \$10,000 was charged to the Company to secure this loan. Interest on the unpaid balance of the loan would accrue at an interest rate of 2.5% commencing 29 days following the due date of January 31, 2012, compounded monthly, not in advance. Before January 31, 2012, the Company repaid \$100,000 plus \$10,000 financing placement fee. There was no interest paid.
- (d) During the year ended June 30, 2011, the Company completed, in three tranches, a private placement of units (the "Unit Offering") and a private placement of convertible debentures (the "Debenture Offering") (together, the "Offerings"). Under the Unit Offering, the Company issued 12,730,000 units (the "Units"), at a price of \$0.08 per Unit, for aggregate gross proceeds of \$1,018,400. Each Unit is comprised of one common share and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable for two years after the issuance of the Units to acquire one common share at an exercise price of \$0.15 per common share. Under the Debenture Offering, the Company issued convertible debentures (the "Convertible Debentures") in the aggregate principal amount of \$740,750. The Convertible Debentures are convertible into common shares at a price of \$0.15 per common share for a two-year period from the date of issue. The Convertible Debentures bear interest at 10% per annum, payable quarterly in arrears.

Canaccord Genuity Corp. ("Canaccord") acted as agent for the Offerings and as consideration for its services received a cash commission equal to 10% of the gross proceeds from the Offerings and 2,120,200 warrants (the "Agent's Warrants") equal to 12% of the number of Units and 12% of the number of common shares underlying the Convertible Debentures sold pursuant to the Offerings. Each Agent's Warrant entitles the holder, on exercise, to acquire one unit on the same terms as the Units for a price of \$0.08 per unit for a period of 24 months from date of issue. The Company also issued 625,000 common shares with a fair value of \$56,250 to the Agent as a corporate finance fee. Other share issue costs were \$96,607.

During the nine months ended March 31, 2013, the Company redeemed its convertible debentures maturing on November 4, 2012, December 3, 2012 and December 24, 2012. The aggregate principal amount of the convertible debentures outstanding was \$740,750. On the redemption dates, the Company redeemed the whole of the principal amount of the convertible debentures by issuing a total of 4,938,333 fully paid and non-assessable common shares in the capital of the Company, at a price equal to \$0.15 per common share.

The securities issued pursuant to the Redemption are subject to a hold period of four months and one day from the date of issue in compliance with applicable securities laws and the rules of the TSX Venture Exchange.

- (e) On January 20, 2012, the Company closed a non-brokered private placement (the "Private Placement"). Under the Private Placement, the Company issued 15,300,000 units (the "Units") at a purchase price of \$0.05 per Unit, for aggregate gross proceeds of \$765,000. Each Unit is comprised of one common share ("Common Share") in the capital of the Company, and one half of one non-transferable share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one additional Common Share at a price of \$0.10 for a period of one year from closing the Private Placement. The term of the Warrants is subject to an acceleration right at the option of the Company, provided that the daily volume-weighted average trading price of the Common Shares is \$0.15 or higher for at least 10 consecutive trading days and the Company has provided Warrant holders with 30 days prior written notice of the accelerated exercise date. The Company has paid finder's fees totaling \$35,000 and share issue cost totaling \$14,140 in connection with the Private Placement in accordance with the policies of the TSX Venture Exchange.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing (continued)

- (f) On March 31, 2013, the Company, pursuant to an exchange agreement (the "Exchange Agreement") dated for reference as of March 31, 2008, between the Company, Russell Brewing Company Ltd. ("Subco"), and holders (the "Investors") of Class A Exchangeable Non-Voting Preferred Shares (the "Exchangeable Shares") in the capital of Subco, the Company exercised its right (the "Exchange Right") to purchase the Exchangeable Shares from the Investors. The Company is entitled to exercise the Exchange Right and purchase the Exchangeable Shares without any further action required on the part of the Investors.

As per the exchange ratio stipulated in the Exchange Agreement, each Exchangeable Share is exchangeable for 22.67 common shares (the "Common Shares") in the capital of the Company. The Company has issued, as fully paid and non-assessable shares of the Company, an aggregate of 1,541,560 Common Shares to the Investors, in order to purchase an aggregate of 68,000 Exchangeable Shares held by the Investors (the "Exchange"). Certificates registered in the names of the Investors, representing the aggregate number of Common Shares deliverable by the Company in payment for the Exchangeable Shares, have been couriered to the Investors.

The 68,000 Exchangeable Shares were issued to Investors pursuant to a brokered private placement (the "Private Placement") announced on March 5th, 2008, at a price of \$10.00 per Exchangeable Share, for gross proceeds of \$680,000. The Private Placement was offered in connection with the Province of British Columbia's Equity Capital Program (the "Program"). Residents of British Columbia investing in a company registered under the Program were eligible for a tax credit of up to 30% of their investment.

- (g) On May 17, 2013, the Company closed a non-brokered private placement (the "Private Placement") of units announced previously on March 18, 2013. Under the Private Placement, the Company issued 9,640,000 units (the "Units") at a purchase price of \$0.05 per Unit, for aggregate gross proceeds of \$482,000.00. Each Unit is comprised of one common share ("Common Share") in the capital of the Company, and one non-transferable share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional Common Share at a price of \$0.10 for a period of two years from closing the Private Placement. The term of the Warrants is subject to an acceleration right at the option of the Company, provided that the daily volume-weighted average trading price of the Common Shares is \$0.15 or higher for at least 10 consecutive trading days and the Company has provided Warrant holders with 30 days prior written notice of the accelerated exercise date.

The securities issued pursuant to the Private Placement will be subject to a hold period of four months and one day from the date of issue in compliance with applicable securities laws and the rules of the TSX Venture Exchange. The net proceeds from the Private Placement will be used for general working capital requirements.

Certain directors and officers of the Company have acquired Units under the Private Placement. Any such participation is considered to be a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101"). The transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of any Units issued to, nor the consideration paid by, such persons exceeds 25% of the Company's market capitalization.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

LIQUIDITY AND CAPITAL RESOURCES (continued)

Contractual Obligations, Commitments

The Company utilizes several operating leases to finance manufacturing equipment and vehicles. The Company also leases the building in Surrey, BC and Winnipeg, Manitoba where it has its warehousing and packaging operations. By entering into operating leases, the Company is able to update its equipment more frequently, not utilize its cash to invest in these assets and in so doing lower its overall average cost compared with purchasing the assets. All leases are evaluated at inception for appropriate accounting treatment.

A summary of the Company's contractual obligations for the next five years is as follows:

	Less Than 1 Year \$	Years 2 and 3 \$	Years 4 and 5 \$	More Than 5 Years \$	Total \$
Bank indebtedness	—	—	—	—	—
Accounts payable and accrued liabilities	1,063,464	—	—	—	1,063,464
Long-term debt	34,500	946,350	3,250	—	984,100
Finance lease obligations	5,070	108,781	27,483	—	141,334
	1,103,034	1,055,131	30,733	—	2,188,898

RELATED PARTIES

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

The Company entered into related party contracts as follows: with MSI Marketing Services International, a company controlled by Brian Harris for management fees in his capacity as CEO of Company; with Wicked Consulting Inc., a company controlled by Andrew Harris for management fees in his capacity as COO of the Company; with Mt. Pacific Financial Corp. a company controlled by Gary Liu for accounting services in his capacity as CFO of the Company. According to the contracts, the Company incurred management fees for \$12,000 per month to a company controlled by the CEO of the Company and \$12,000 per month to a company controlled by the COO of the Company, and incurred accounting fees for \$10,333 per months to a company controlled by the CFO of the Company. The Company also accrued director fees for \$1,000 per month to each of three independent directors.

The compensation costs for key management personnel and companies related to them were recorded as follows:

	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
Management fees (a) and (b)	\$ 216,000	\$ 217,500
Directors fees (c)	15,000	24,000
Accounting fees (f)	93,000	93,537
Share-based payments (c)	38,124	28,885
	\$ 362,124	\$ 363,922

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

RELATED PARTIES (continued)

- (a) During the period ended March 31, 2013, the Company incurred management fees of \$nil to the CEO of the Company (2012 – \$38,750) and \$108,000 to a company controlled by the CEO (2012 – \$70,000). As at March 31, 2013, the Company owed \$63,560 to the CEO and a company controlled by the CEO (2012 – \$11,617), which is non-interest bearing, unsecured and due on demand.
- (b) During the period ended March 31, 2013, the Company incurred management fees of \$nil to the COO of the Company (2012 – \$48,750) and \$108,000 to a company controlled by the COO (2012 – \$60,000). As at March 31, 2013, the Company owed \$63,555 to the COO and a company controlled by the COO (2012 – \$32,745), which is non-interest bearing, unsecured and due on demand.
- (c) During the period ended March 31, 2013, the Company granted nil (2012 – 3,000,000) and vested 1,277,778 stock options to directors and officers and key employees (2012 – 166,667) and incurred director fees of \$15,000 to the independent directors of the Company (2012 – \$24,000). As at March 31, 2013, the Company owed \$42,110 to the independent directors (2012 – \$32,877), which is non-interest bearing, unsecured and due on demand.
- (d) During the period ended March 31, 2013, the Company paid consulting fees of \$1,500 to a company controlled by an independent director of the Company (2012 – \$13,500).
- (e) During the period ended March 31, 2013, the Company incurred and accrued legal fees of \$62,188 to a company controlled by a director of the Company. As at March 31, 2013, the Company owed \$57,840 to this company, which is non-interest bearing, unsecured and due on demand.
- (f) During the period ended March 31, 2013, the Company incurred accounting fees of \$93,000 to a company controlled by the CFO of the Company (2012 – \$93,537). As at March 31, 2013, the Company owed \$87,880 to this company (2012 - \$20,620), which is non-interest bearing, unsecured and due on demand.
- (g) During the period ended March 31, 2013, the Company incurred salaries and wages expense of \$107,411 to relatives of directors and officers of the Company (2012 – \$102,083). As at March 31, 2013, the Company owed \$nil to relatives of directors of the Company (2012 - \$7,586), which is non-interest bearing, unsecured and due on demand.

These transactions were in the normal course of operations and have been recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Significant areas requiring the use of management estimates may include recovery of accounts receivable, inventory valuation, the estimated useful life of long-lived assets, the recoverability of amounts recorded for long-lived assets, estimates used in impairment analysis of long-lived assets, container liabilities, valuation of deferred tax assets and liabilities and estimates used in calculating share-based compensation. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results could differ from management's best estimates as additional information becomes available.

Property, Plant and Equipment

The accounting for property, plant and equipment requires that management make estimates involving the life of the assets, the selection of an appropriate method of depreciation and determining whether an impairment of assets exists.

The Company reviews the residual values, useful lives of depreciable assets and depreciation method on an annual basis and where revisions are made, the Company applies such changes in estimates on a prospective basis.

The net carrying amounts of property, plant and equipment are reviewed for impairment either individually or at the cash generating unit level at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. To the extent that an asset's carrying amount exceeds its recoverable amount, the excess is fully provided for in the period in which it is determined to be impaired. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, an impairment of these assets and a related write-down may result. As at the date of this report, the Company believes that its estimates are materially correct.

Intangible Assets

Indefinite life intangible assets consist of brands and trademarks. These assets are recorded at cost and are not amortized but instead are reviewed for impairment at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors and industry trends which may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, an impairment of these assets and a related write-down may result. As at the date of this report, the Company believes that its estimates are materially correct.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

RISKS AND UNCERTAINTIES

Credit Risk

The Company grants credit to its customers in the normal course of business. However as the major portion of the accounts receivable are held by the BCLDB, the MLCC, and AGLC, management believes exposure to credit risk is limited.

Competition

The Company considers its main competitors to be other participants in the Canadian brewing industry, which includes imported beer and specialty and value priced brands brewed by both small regional brewers and the national brewers. Existing regional breweries are increasing their production capacities and marketing programs. National brewers are aggressively promoting their own specialty and value brands as well as premium brands. The Company also anticipates increasing competition as new brewers enter markets in which the Company currently operates.

The principal competitive factors affecting the market for the Company's products include quality and taste, packaging, advertising and promotional support, brand recognition and price. There can be no assurance that the Company will be able to compete successfully in this category against current and future competitors based on these and other factors. The Company competes with a variety of domestic and international brewers, many of whom have substantially greater financial, production, distribution and marketing resources. The Company anticipates increased competition in the premium beer category from the major domestic brewers, each of whom has introduced and is marketing premium-priced products. The large domestic brewers dominate the domestic beer market and the Company expects that certain of these companies may seek further participation in the premium beer market through the acquisition of equity positions in, or the formation of, distribution alliances with other brewers.

Increased competition could result in price reductions, reduced profit margins and loss of market share, all of which could have a material adverse effect on the Company's operations. The Company's products also compete generally with other alcoholic beverages.

Government Regulation

The Company's business is regulated by federal, provincial and municipal laws and regulations regarding such matters as licensing requirements, trade and pricing practices, permitted and required labeling, advertising, promotion and marketing practices, relationships with distributors and related matters. Failure on the part of the Company to comply with federal, provincial or municipal laws and regulations could result in the loss, revocation or suspension of the Company's licenses, permits or approvals and could have a material adverse effect on the Company's business. The Company believes that it has obtained all regulatory permits and licences necessary to operate its business where the Company's products are currently being produced and distributed. In addition, changes to taxes, environmental regulations or any other laws or regulations which affect the Company's products or their production, handling or distribution could have a material adverse effect on the Company's operations.

Trends in Consumer Preferences and Attitudes

The domestic premium beer market has grown dramatically over the past decade. The Company believes that one factor in such growth has been consumer demand. No assurance can be given however that consumer demand for these products will continue in the future. The Company's success also depends upon a number of factors related to the level of discretionary consumer spending, such as the general state of the economy, tax laws and consumer confidence in future economic conditions.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

RISKS AND UNCERTAINTIES (continued)

Protection of Intellectual Property Rights; Risk of Third Party Claims of Infringement

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design and artwork, to be of considerable value and critical to its business. The Company relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by the Company to protect its intellectual property rights will preclude competitors from developing similar brand names or promotional materials. While the Company believes that its proprietary rights do not infringe upon those third parties, it possesses no assurances of such a situation. The Company has applied for registration of the following trademarks: Russell, Fort Garry and Rock Mountain.

Dependence on Key Personnel

The Company's success depends to a significant degree upon the continuing contributions of key personnel, and on its ability to attract and retain qualified management, sales, production and marketing personnel. The loss of any of such persons or the failure to recruit additional key personnel in a timely manner, could adversely affect the Company. The Company does not maintain any key man life insurance on any of its personnel.

Operating Hazards

The Company's operations are subject to certain hazards and liability risks faced by all brewers, such as the potential contamination of ingredients or products and equipment defects. While the Company has not experienced a contamination problem in its products, the occurrence of such a problem could result in a costly product recall and serious damage to the Company's reputation for product quality. Although the Company maintains insurance against certain risks under various general liability and product liability insurance policies, there can be no assurance that the Company's insurance will be adequate or that claims resulting from such incidents will be accepted as filed.

Trade Regulations

The 1994 North America Free Trade Agreement ("NAFTA") among Canada, Mexico and the United States expanded the 1989 Free Trade Agreement between Canada and the United States. To date, NAFTA has had no material effect on the Company's business or operations. However, the adoption of new trade regulations or future trade disputes that result in retaliatory practices or increased tariffs between the United States and Canada could adversely affect the Company's business.

Proprietary Rights

Although the formulas for the Company's beers are proprietary trade secrets of the Company, there can be no assurance that others will not develop beers of the same or similar tastes and qualities as the Company's beers.

Seasonal Nature of Business

The alcoholic beverage industry in Canada is seasonal in nature. Accordingly, the Company has historically experienced a seasonal pattern in its operating results, with the second and third quarters historically exhibiting lower revenues. Therefore, the results in any one quarter are not indicative of results in any other quarter, or for the year as a whole.

RUSSELL BREWERIES INC.
Management Discussion and Analysis
For the nine months ended March 31, 2013

RISKS AND UNCERTAINTIES (continued)

Uncertainty of Additional Capital

In the past, the Company relied on the issuance of equity and debt securities to meet its capital requirements. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Control may change and security holders may suffer significant dilution. The Company also requires continued support from its lenders to maintain its financial condition. The loss of this support could limit expansion opportunities and put strain on the Company's continuing operations.