

**RUSSELL BREWERIES INC.**

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Company**

Russell Breweries Inc. (the "**Company**")  
#202 – 13018 80<sup>th</sup> Avenue  
Surrey, British Columbia V3W 2B2

**Item 2 Date of Material Change**

September 3, 2013.

**Item 3 News Release**

The news release disclosing the material change was issued by the Company through Marketwired in Vancouver, British Columbia, on September 4, 2013 and filed via SEDAR to the securities commissions in British Columbia, Alberta, Manitoba and Ontario.

**Item 4 Summary of Material Change**

The Company announced that on September 3, 2013 it entered into a loan agreement (the "**Loan Agreement**") with the spouses of certain directors of the company (collectively, the "**Lenders**") whereby the Lenders will provide the Company with a loan facility in the aggregate amount of CDN\$100,000 (the "**Loan**"). The Loan will bear interest at a rate of 9.0% per annum calculated and compounded semi-annually. The Loan Agreement is subject to the acceptance of the TSX Venture Exchange ("**TSX-V**").

**Item 5 Full Description of Material Change**

The Company announced that on September 3, 2013 it entered into a Loan Agreement with the Lenders whereby the Lenders will provide the Company with a Loan. The Loan will bear interest at a rate of 9.0% per annum calculated and compounded semi-annually. The Loan Agreement is subject to the acceptance of the TSX-V.

The term of the Loan will be one year from the date of the Loan Agreement and the principal and accrued interest shall be due and payable on the earlier of: (i) the expiry of the term of the Loan, or (ii) the occurrence of an Event of Default in the Loan Agreement. The Loan may be prepaid, at any time, without premium or penalty.

Pursuant to the terms of the Loan Agreement, the Company intends to issue and allot to each Lender such number of common shares (the "**Bonus Shares**") in the capital of the Company equivalent to 20% of the dollar amount contributed by such Lender to the Loan which shall be priced, when issued and allotted, in accordance with the policies of the TSX-V. The Bonus Shares are to be issued and allotted to compensate the Lenders for the financial risk associated with granting the Loan to the Company.

Pursuant to the terms of the Loan Agreement, the Company and its Canadian subsidiaries have each executed a security agreement in favour of the Lenders, granting security interests in all present and future undertaking and property of the Company and each Canadian subsidiary, as applicable.

The proceeds of the Loan will be used for general working capital.

On the basis that each Lender is the spouse of a director of the Company, the Loan and the proposed issuance of the Bonus Shares are "related party transactions" within the meaning of

Multilateral Instrument 61-101 ("**MI 61-101**"). As related party transactions, the following additional disclosures are provided (following the listing of disclosures in Section 5.2 of MI 61-101).

The review and approval process that has been adopted by the directors of the Company in connection with the Loan and the proposed issuance of the Bonus is as follows:

In conducting their review and approval process with respect to the Loan and the proposed issuance of the Bonus Shares, the board of directors of the Company determined that the distribution of an information circular to shareholders, the preparation and distribution of a formal valuation and the seeking of shareholder approval for, and in connection with, the Loan and the proposed issuance of Bonus Shares is not necessary under MI 61-101 because:

- a. for the purposes of Section 5.5(a) of MI 61-101 the board of directors of the Company have determined, in good faith, that the fair market value of the Loan, when drawn down in full, together with the Bonus Shares (when issued) will not exceed 25% of the market capitalization of the Company, and on that basis the Loan and the proposed issuance of the Bonus Shares fall within an exemption from the formal valuation requirement of Section 5.4 of MI 61-101;
- b. for the purposes of Section 5.7(1)(a) of MI 61-101 the board of directors of the Company have determined, in good faith, that the fair market value of the Loan, when drawn down in full, together with the Bonus Shares (when issued) will not exceed 25% of the market capitalization of the Company, and on that basis the Loan and the proposed issuance of the Bonus Shares fall within an exemption to the minority shareholder approval requirement of Section 5.6 of MI 61-101; and
- c. the disinterested directors of the Company (i.e., those other than Benjamin Li Yu and Dongbing (Derrick) Ma) have all approved the Loan and the proposed issuance of the Bonus Shares.

The Bonus Shares (when issued) will be subject to a four month hold period.

**Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8. Executive Officer**

Benjamin Li Yu  
Director  
604-812-8723

**Item 9. Date of Report**

September 11, 2013