

**Form 51-102F3**  
***Material Change Report***

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

Russell Breweries Inc. (“Russell” or the “Company”)  
202 - 13018 80th Avenue  
Surrey, B.C. V3W 3A8

**Item 2. Date of Material Change**

January 20, 2014

**Item 3. News Release**

The news release announcing the material change was issued at Vancouver, BC on January 20, 2014, and was disseminated via Marketwired and filed on SEDAR.

**Item 4. Summary of Material Change**

Russell announce that, further to the press release of the Company dated December 13, 2013 whereby the Company announced that it had entered into a loan agreement (the “Original Loan Agreement”) with Weichun Ye (“Ye”) and FVI Capital Inc. with respect to a loan of \$400,000 by Ye to the Company (the “Original Loan”), the Company has entered into a replacement loan agreement (the “Loan Agreement”) with Ye and Yan Zeng (together with Ye, the “Lenders”) and Dongbing (Derrick) Ma (the “Guarantor”) which replaces the terms of the Original Loan. Pursuant to the Loan Agreement, the Lenders have loaned to the Company an aggregate principal amount of \$500,000 (the “Loan”) bearing interest at a rate of 9% per annum calculated and compounded semi-annually (the “Interest”).

**Item 5. Full Description of Material Change**

**5.1 Full Description of Material Change**

The Company announce that, further to the press release of the Company dated December 13, 2013 whereby the Company announced that it had entered into the Original Loan Agreement with Ye and FVI Capital Inc. with respect to the Original Loan, the Company has entered into a replacement Loan Agreement with the Lenders and the Guarantor which replaces the terms of the Original Loan. Pursuant to the Loan Agreement, the Lenders have loaned to the Company an aggregate principal amount of \$500,000 bearing interest at a rate of 9% per annum calculated and compounded semi-annually.

The principal amount of the Loan is due and payable on the earlier of December 31, 2015 and the occurrence of an Event of Default (as defined in the Loan Agreement). The Interest is payable on January 1 and June 1 of each year beginning June 1, 2014. The Loan and all interest thereon may be prepaid, at any time, without premium or penalty, upon seven days’ written notice.

The Company’s obligations under the Loan Agreement are guaranteed by the Guarantor and, in consideration for acting as guarantor, the Company has granted to the Guarantor

4,000,000 non-transferable warrants (the “Warrants”), each Warrant entitling the Guarantor to purchase one common share in the capital of the Company (a “Warrant Share”) at an exercise price of \$0.05 per share until December 31, 2015, subject to regulatory approval.

Pursuant to the terms of the Loan Agreement, the Company executed a security agreement in favour of the Lenders granting a security interest in all present and future undertaking and property of the Company to the Lender subordinated to any existing security interests.

The proceeds of the Loan will be used to meet the Company’s near term working capital commitments and to continue operations. The Loan proceeds will also allow the Issuer to launch new products as planned.

#### Related Party Transaction

On the basis that the Guarantor, Dongbing (Derrick) Ma, is a director, the proposed grant of the Warrants is a “related party transaction” within the meaning of Multilateral Instrument 61-101 (“MI 61-101”). The review and approval process that has been adopted by the directors of the Company in connection with the proposed grant of the Warrants is as follows: In conducting their review and approval process with respect to the proposed grant of the Warrants, 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 proposed grant of the Warrants are 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 Warrants will not exceed 25% of the market capitalization of the Company, and on that basis the proposed grant of the Warrants 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 Warrants will not exceed 25% of the market capitalization of the Company, and on that basis the proposed grant of Warrants 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 Dongbing (Derrick) Ma) have all approved the Loan and the proposed grant of the Warrants.

The Guarantor currently owns or controls 4.1% of the issued and outstanding common shares in the capital of the Company. If the Warrants are exercised, the Guarantor would directly or indirectly own or control 8.7% of the issued and outstanding common shares in the capital of the Company. The Warrants and the Warrant Shares will be subject to a four month and a day hold period from the date of grant of the Warrants.

## Forward-Looking Information

This report includes certain statements that are deemed “forward-looking statements”. All statements in this report, other than statements of historical facts, that address events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include: the ability of the Company to repay the Loan based on sales and working capital and general economic, market or business conditions, the receipt of the required regulatory approvals and the use of the proceeds of the Loan. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. Except as required by applicable securities laws, the Company undertakes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change.

### 5.2 Disclosure for Restructuring Transactions

Not applicable.

**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**

The following Director and Senior Officer of the Company is available to answer questions regarding this report:

Benjamin Li Yu  
Director and Interim CEO  
604-812-8723

**Item 9. Date of Report**

Dated at Vancouver, BC, this 22<sup>nd</sup> day of January, 2014.