

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

May 7, 2014

Item 3. News Release

The news release announcing the material change was issued at Vancouver, BC on May 7, 2014, and was disseminated via Marketwired and filed on SEDAR.

Item 4. Summary of Material Change

Russell announced that it has completed the first tranche of its non-brokered private placement (the “Private Placement”) of common shares of the Company (the “Shares”) previously announced on March 20, 2014. Under the Private Placement, the Company issued and sold 7,083,333 Shares for aggregate gross proceeds of \$424,999.98.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

Russell announced that it has completed the first tranche of its Private Placement of Shares previously announced on March 20, 2014. Under the Private Placement, the Company issued and sold 7,083,333 Shares for aggregate gross proceeds of \$424,999.98.

The Shares issued pursuant to the Private Placement are subject to a hold period of four months and one day from the closing date.

On the basis that one of the subscribers of the Private Placement, Benjamin Li Yu, is a director and interim CEO of the Company, the sale and issuance of 1,666,666 Shares to Mr. Yu is a “related party transaction” within the meaning of Multilateral Instrument 61 101 (“MI 61 101”).

In conducting their review and approval process with respect to the sale and issuance of 1,666,666 Shares to Mr. Yu, 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 such sale and issuance of Shares is not necessary under MI 61 101 because:

(a) for the purposes of Sections 5.5(a) and 5.7(1)(a) of MI 61 101 the board of directors of the Company determined, in good faith, that the fair market value of such Shares will not exceed 25% of the market capitalization of the Company, and on that basis the proposed sale and issuance of such Shares falls within an exemption from the formal valuation requirement of Section 5.4 of MI 61 101 and from the minority shareholder approval requirement of Section 5.6 of MI 61 101; and

(b) the disinterested directors of the Company (i.e., those other than Mr. Yu) have all approved such sale and issuance of Shares.

Mr. Yu owned or controlled 0.2% of the issued and outstanding Shares prior to the closing of the first tranche of the Private Placement. Following the closing of the first tranche of the Private Placement, Mr. Yu owns or controls 2.2% of the issued and outstanding Shares.

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 completion of the Private Placement, receiving regulatory approval of the Private Placement, the use of the proceeds of the Private Placement and future performance of the Company. 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 15th day of May, 2014.