RUSSELL BREWERIES INC.
Management's Discussion and Analysis
For the year ended June 30, 2014

This Management's Discussion and Analysis ("MD&A") of Russell Breweries Inc. dated October 24, 2014 provides an analysis of Russell's results of operation and financial condition for the year ended June 30, 2014. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2014 and 2013. 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 financial statements and related notes of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 October 24, 2014.

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 Extra Special Lager, Russell IP'eh! India Pale Ale, A Wee Angry Scotch Ale, Blood Alley Bitter, Russell Lemon Ale, Rocky Mountain Pilsner, Eastern Promises Czech Pilsner, Hop Therapy India Session Ale, 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 July 10, 2013, Mr. Gary Liu resigned as Chief Financial Officer and director of the Company.

On July 30, 2013, Mr. Perpinder Singh Patrola resigned as a director of the Company.

On July 31, 2013, the Company repaid $206,834 of a loan entered on July 11, 2012, with a shareholder of the Company in the amount of $836,834 due on July 31, 2013, and negotiated to further amend and extend repayment of the balance of $650,000 over 36 months (see LIQUIDITY AND CAPITAL RESOURCES: Financing).

On August 8, 2013, Mr. Peter H. Stafford and Mr. Richard Ruijian Shi were appointed to the board of directors of the Company. Effective September 1, 2013, Mr. Brian Harris retired as Chief Executive

Officer ("CEO") of the Company. Mr. Benjamin Li Yu will act as interim CEO until a suitable and permanent replacement is found.

On September 3, 2013, the Company entered into a bridge 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.

On September 15, 2013, the Company released the Russell Marzen – Oktoberfest Lager in 650ml bottles, a seasonal limited release as part of the Russell Brewmaster Series.

On October 2, 2013, the Company reported that its partners in China (Russell Breweries China Inc.) completed construction on a new test brewery in Hefei, China. The brewery is now fully operational and its adjoining restaurant will be opened for business soon.

On October 24, 2013, Mr. Kwong Choo was appointed as Chief Financial Officer of the Company.

On January 20, 2014, the Company entered into a loan agreement with Weichun Ye and Yan Zeng (the Lenders) and Dongbing (Derrick) Ma (the Guarantor), whereby the Lenders will loan to the Company an aggregate principal amount of $500,000. The Company's obligations under the loan agreement are guaranteed by the Guarantor. (see LIQUIDITY AND CAPITAL RESOURCES: Financing).

On March 18, 2014, the Company introduced Russell Eastern Promises Czech PIlsner and A Wee Angry Scotch Ale in 341ml bottle 6-packs, in addition to 650ml bottles.

On March 20, 2014, the Company announced a non-brokered private placement of common shares of the Company of up to $500,000 at the price of $0.06 per Share.

On May 1, 2014, the Company released the Russell White Rabbit Hopped Hef in 650ml bottles, a new seasonal limited release as part of the Russell Seasonal Series.

On May 7, 2014, the Company announced that it has completed the first tranche of its non-brokered private placement of common shares of the Company as previously announced on March 20, 2014. Under the private placement, the Company issued and sold 7,083,333 shares for aggregate gross proceeds of $425,000.

On May 23, 2014, the Company released the Russell Hop Therapy India Session Ale in 350ml cans, a new product as part of the Russell Brewmaster Series.

On May 31, 2014, the Company won three medals at the 12th annual Canadian Brewing Awards: a gold medal for Wee Angry Scotch Ale in the Scotch Ale category, a bronze medal for IPeh! in the English Style India Pale Ale category and a bronze medal for Smokey the Beer in the experimental beer category. The Canadian Brewing Awards is an annual beer competition that invites breweries of all sizes from across the country to compete in a blind tasting by a panel of Certified Beer Judges (BJCP). This year, the Awards were held at the convention centre in Frederiction, New Brunswick. There were 916 beers in 38 categories entered into this year's competition from over 130 Canadian breweries.

On June 18, 2014, the Company announced that it has completed the final tranche of its non-brokered private placement of common shares of the Company as previously announced on March 20, 2014. Under the final tranche of the private placement, the Company issued and sold 1,250,000 Shares for gross proceeds of $75,000.

On July 9, 2014, the Company announced that pursuant to its stock option plan, the Company has granted an aggregate of 4,550,000 options (the Options) to certain directors, officers, and employees of the Company. The Options have an exercise price of $0.07 per share and will vest according to schedules set by the Board of Directors of the Company. The Options are exercisable for a period of five years.

On September 5, 2014, pursuant to the bridge loan agreement entered on September 3, 2013, the Company repaid in full, the principal of $100,000 and interest totalling $9,203.

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 ISA, Russell Hop Therapy Double IPA, Russell Truth Serum Wheat Wine Ale
Premium	Eastern Promises, Russell IP'eh!, Black Death Porter, Russell Marzen, A Wee Angry Scotch Ale, Blood Alley Bitter, Fort Garry Munich Eisbock, Fort Garry Portage and Main IPA, Fort Garry Big Bison
Session	Russell Cream Ale, Russell Pale Ale, Russell Extra Special Lager, Fort Garry Dark, Fort Garry Pale, Fort Garry Rouge, Fort Garry Premium Light, Fort Garry Lime Lager
Value	Fort Garry Rocky Mountain Pilsner, Fort Garry Stone Cold Lager, Fort Garry Two Rivers Lager
Seasonal	Russell White Rabbit, Russell lemon Ale, Russell Summer Daze, Russell Naughty & Spiced Porter, Russell Luck of the Irish, Russell Smokey The Beer, Fort Garry St. Nick's Porter
Partnership	Nautical Disaster Barley Wine, Capilano Rugby Pilsner, Pemberton Pilsner, GUUUD Ale, Cactus IPA, Angry Fish Pilsner,

SELECTED INFORMATION

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

Selected Information	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012 (Restated)
	$	$	$
Statement of Comprehensive Profit (Loss) Data			
Revenues	9,451,371	8,691,831	8,416,964
Net Revenues (after excise tax and provincial mark-up)	7,545,459	6,732,226	6,477,995
Earnings before interest and other income, taxes, depreciation and amortization (EBITDA)	758,847	314,375	32,970
Total income (loss) before income taxes	201,720	(358,619)	(788,166)
Operating income (loss) per share	0.00	(0.01)	(0.01)
Net income (loss) and comprehensive income (loss)	61,720	(545,619)	(1,088,166)
Basic and diluted earnings (loss) per share	0.00	(0.01)	(0.02)
Statement of Financial Position Data			
Total assets	7,271,987	7,149,001	6,978,917
Total long term financial liabilities	592,304	136,740	243,559
Cash dividends declared per share	Nil	Nil	Nil

PERFORMANCE AND RESULTS OF OPERATIONS

Three Months Ended June 30, 2014 ("Q4 2014F")

The Company had a net loss and comprehensive loss of $186,543 for Q4 2014F compared to $468,115 for the three months ended June 30, 2013 ("Q4 2013F"). The decrease in net loss is primarily due to an increase in gross margin of $289,631, decrease in amortization of $5,091and recovery of deferred income tax expense of $31,000, which is offset by current tax expense of $171,000, increase in selling, general and administrative expenses of $53,943 and other expenses of $6,207.

Gross revenues for Q4 2014F were $2,387,800 down $75,710 or 3% compared to $2,463,510 for Q4 2013F. Net revenue for Q4 2014F were $1,979,796 up $104,576 or 6% compared to $1,875,220 for Q4 2013F. The increase in net revenue is mainly due to increase in sales volume of premium brands which commands better pricing.

The gross margin for Q4 2014F increased by $289,631 or 37% to $1,076,519 compared to $786,888 for Q4 2013F. The gross margin percentage of Q4 2014F was up 12% to 54% compared to 42% for Q4 2013F. The increase in gross margin percentage is mainly due to shift in sales mix to premium brands which command better pricing.

Selling, general and administrative expenses for Q4 2014F were $1,058,591 up $53,943 or 5% compared to $1,004,648 for Q4 2013F. This is primarily due to the following reasons:

(i) Labour cost increased by $166,745 to $403,279 from $236,534 due to severance payment, higher headcount in sales and annual salary increases.

(ii) Bad debts increased by $20,444 to due to the write off of uncollectable accounts for this period.

(iii) Rent and utilities increased by $92,164 to $130,045 from $37,881 due to previous years reclassification of premise leasing expense to cost of sale.

Offset by the following:

(i) Professional fees decreased by $77,470 to $88,513 from $165,983 mainly due to lower accounting fees as a result of the resignation of the previous CFO.

(ii) Management fees decreased by $50,501 to $23,499 from $74,000 due to the retirement and resignation of the previous CEO and COO.

(iii) Advertising and promotion decreased by $102,062 to $244,444 from $346,506 due to lower selling, marketing and promotional spending for this period.

Other expenses for Q4 2014F were up $6,207 to $48,184 compared to $41,977 for Q4 2013F. The increase is primarily due to an acquisition expense of $15,848 compared to $nil offset by a decrease in interest on capital lease and long term debt totalling $8,809 from $50,043 to $41,234.

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Year Ended June 30, 2014 ("2014F YTD")

The Company had a net income and comprehensive income of $61,720 for 2014F YTD compared to a net loss and comprehensive loss of $545,619 for the year ended June 30, 2013 ("2013F YTD). The increase in net income is primarily due to an increase in gross margin of $658,439, decrease in amortization of $41,269, decrease in other expenses of $66,056 and recovery of deferred income tax expense of $31,000 which is offset by current tax expense of $171,000 and increase in selling, general and administrative expenses of $205,425.

Gross revenue for 2014F YTD were $9,451,371 up $759,540 or 9% compared to $8,691,831 for 2013F YTD. Net revenue for 2014F YTD were $7,545,459 up $813,233 or 12% compared to $6,732,226 for 2013F YTD. The increase is mainly due to increased pricing and volumes, optimized product mix and the addition of sales personnel to service wider geographical area.

The gross margin for 2014F YTD increased by $658,439 or 18% to $4,242,845 compared to $3,584,406 for 2013F YTD. The gross margin percentage of 2014F YTD was up 3% to 56% compared to 53% for 2013F YTD. The increase is mainly due to increased pricing and volumes and the higher sales volume of premium brands.

Selling, general and administrative expenses for 2014F YTD were $3,797,159 up $205,425 or 6% compared to $3,591,734 for 2013F YTD. This is primarily due to the following reasons:

(i) Labour cost increased by $353,096 to $1,231,366 from $878,270 due to severance payment, higher headcount in sales and annual salary increases.

(ii) Rent and utilities increased by $75,916 to $487,215 from $411,299 due to previous years reclassification of premise leasing expense to cost of sales.

(iii) Refundable container increased by $60,460 to positive $5,165 from negative $55,295 due to seasonal fluctuations on returning containers.

(iv) Bad debts increased by $45,122 from $nil due to the write off of uncollectable accounts.

Offset by the following:

(i) Management fees decreased by $179,893 to $110,107 from $290,000 due to the retirement and resignation of the previous CEO and COO.

(ii) Share based compensation expense decreased by $38,295 to negative $1,193 from $37,102 as a result of no new stock option grants for the year.

(iii) Advertising and promotion decreased by $48,969 to $872,134 from $921,103 due to better cost management of marketing and promotional spending.

(iv) Professional fees decreased by $59,188 to $397,421 from $465,609 mainly due to lower accounting fees as a result of the resignation of the previous CFO.

Other expenses for 2014F YTD were down $66,056 to $164,460 compared to $230,516 for 2013F YTD. The decrease is primarily due to other expenses of $15,848 compared to $nil offset by a decrease in interest on long term debt totalling $60,240 from $218,199 to $157,959.

Summary of Quarterly Results

The Company's selected quarterly results for the eight most recently completed financial quarters are as follows:

Fiscal Year Quarter	2014F Q4	2014F Q3	2014F Q2	2014F Q1	2013F Q4	2013F Q3	2013F Q2	2013F Q1
(in $000, except per share amounts)	$	$	$	$	$	$	$	$
Net revenues	1,980	1,654	1,972	1,940	1,875	1,540	1,511	1,807
SG&A(1)	1,058	784	960	995	1,005	823	910	855
EBITDA(2)	96	213	211	239	(136)	220	82	148
Net income (loss)	(187)	63	92	94	(468)	74	(88)	(63)
Net earnings (loss) per share	0.00	0.00	0.00	0.00	(0.01)	0.00	(0.00)	(0.00)

(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. Net revenue for Q4 2014F were $1,979,796 up by $326,193 compared to $1,653,603 for Q3 2014F. Net loss for Q4 2014F was $186,543 compared to net income of $62,648 for Q3 2014F. The increase in net revenue is mainly due to seasonality and improvement in gross margin. The increase in net loss is mainly attributed to the current tax expense of $171,000 offset by deferred income tax recovery of $31,000 and increase in selling, general and administrative expenses. 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, labour and management fee which is included in selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

At June 30, 2014, the Company had a positive working capital of $1,016,126. The Company has $662,056 of cash and $100,000 of restricted term deposits securing up to $100,000 of bank indebtedness. Liabilities include $810,713 of accounts payable and accrued liabilities, $852,070 of long-term debts (Note 11 of the consolidated financial statements), and $53,703 of finance lease obligations (Note 12 of the consolidated financial statements).

The Company has an operating line of credit, a bridge loan, three finance leases, two operating leases and four term loans. As at June 30, 2014 and the date of this MD&A, the Company is in compliance with all of the covenants.

The Company will need additional capital to fund its planned discretionary capital expenditures for the next twelve months. 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

Year Ended June 30, 2014 ("2014F YTD")

Cash provided by operating activities in 2014F YTD was $88,969 compared to cash used of $34,539 in 2013F YTD. The increase in cash provided of $123,508 was primarily due to the increase in net cash from accounts receivable of $494,602, offset by the decrease in net cash from inventories of $275,290 and the increase in net cash used for accounts payable and accrued liabilities of $566,900.

Cash used in 2014F YTD for investing activities was $116,162 for the purchase of property and equipment compared to $30,104 in 2013F YTD.

During 2014F YTD, the Company received $100,000 from bridge loan and $500,000 from private placement, repayment of $543,446 in long-term debts and $46,757 in finance lease obligations compared to repayment of $133,391 in long-term debt and $55,560 in finance lease obligations in 2013F YTD.

Outstanding Share Data

As at June 30, 2014, the Company had 87,083,788 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 June 30, 2014	87,083,788	N/A	N/A
Stock options(1)	50,000	$0.10	March 9, 2017
Stock options(2)	4,550,000	$0.07	July 9, 2019
Warrants	9,640,000	$0.10	May 17, 2015
Warrants	4,000,000	$0.05	December 31, 2015
Fully Diluted as of the date of this MD&A	105,323,788	N/A	N/A

(1) For the year ended June 30, 2014, 1,250,000 stock options exercisable at $0.10 per share were forfeited due to the resignation of certain directors, officers, and employees.
(2) Subsequent to June 30, 2014, on July 9, 2014, 4,550,000 stock options were granted at $0.07 to certain directors, officers and employees.

Financing

(a) On October 5, 2010, the Company's subsidiary Fort Garry Brewing Company Ltd. accepted an offer of a $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% 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 issued 250,000 common shares of the Company as bonus shares with an estimated fair value of $0.08 per share for a total value of $20,000, which was recorded as a financing cost against the value allocated to the loan. During the period ended June 30, 2014, the Company recorded interest expense of $3,037 (2013 - $4,609) 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 comprehensive income (loss).

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. (Note 11 of the consolidated financial statement).

(b) On July 26, 2013, the Company negotiated to further amend and extend repayment of the balance of $630,000 of the loan in Note 11(c). In consideration of the lender agreeing to amend and extend the loan, the lender will also earn a bonus of $20,000 to be included in the loan amount. The loan amount of $650,000 was amended and extended as follows: a 10% per annum interest rate, calculated semi-annually, repayable in monthly installments of $17,500 plus bonus and interest, subject to a penalty of $17,500 for each missed monthly installment payment, and maturing July 31, 2016. The loan is guaranteed by Russell Brewing Company Ltd. and Fort Garry Brewing Company Ltd., both wholly-owned subsidiaries of the Company. As further security for the loan, the Company and its Canadian subsidiaries 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 finance lease obligations incurred for future acquisitions of equipment and other capital assets. The Company may repay the loan at any time without penalty by paying the discounted loan amount outstanding together with accrued interest and prorated bonus.

During the year ended June 30, 2014, the Company recorded interest expense of $12,732 (2013 - $96,507) 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 comprehensive income (loss).

(c) 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. 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.

(d) On January 20, 2014, the Company entered into a loan agreement with Weichun Ye, Yan Zeng and Dongbing (Derrick) Ma, (the "Guarantor") for 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 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 warrant, each warrants entitling the Guarantor to purchase one common share of the Company at an exercise price of $0.05 per share until December 31, 2015 (Note 14(d) of the consolidated financial statement).

(e) On May 7, 2014, the Company completed the first tranche of its non-brokered private placement of common shares of the Company as previously announced on March 20, 2014. Under the private placement, the Company issued and sold 7,083,333 shares for aggregate gross proceeds of $425,000. 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. On June 17, 2014, the final tranche closed in which 1,250,000 common shares were issued and sold for aggregate gross proceeds of $75,000.

Contractual Obligations, Commitments

The Company utilizes operating leases to finance manufacturing equipment and vehicles. The Company also leases the building in Surrey, BC and Winnipeg, Manitoba where it has its offices, breweries, 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 are as follows (Note 19(c) (ii) of the consolidated financial statement):

	Less Than 1 Year	Years 2 and 3	Years 4 and 5	More Than 5 Years	Total
	$	**$**	**$**	**$**	**$**
Bank indebtedness	**36,966**	–	–	–	36,966
Accounts payable and accrued liabilities	**810,713**	–	–	–	810,713
Due to related parties and long-term debt	**279,750**	731,000	–	–	1,010,750
Finance lease obligations	**27,052**	37,724	–	–	64,776
	1,154,481	768,724	–	–	1,923,205

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 as follows:

	2014	2013
Short-term benefits:		
Salaries, management & consulting fees (a), (b) & (c)	$ 550,083	$ 290,000
Directors fees (d)	35,484	20,356
Legal fees (e)	13,375	118,629
Accounting fees (f) & (g)	42,293	125,000
Share-based payments (c)	(1,193)	37,102
Total short-term benefits:	$ 640,042	$ 591,087
Termination benefits (b)	160,400	-
	$ 800,442	$ 591,087

(a) During the year ended June 30, 2014, the Company incurred management fees and salaries totaling $519,309 to a company controlled by the CEO and other key management (2013 – $nil). As at June 30, 2014, the Company owed $23,167 to the CEO and a company controlled by the CEO (2013 – $1,500), which is non-interest bearing, unsecured and due on demand.

(b) During the year ended June 30, 2014, the Company incurred management and consulting fees of $24,000 (2013 – $145,000) and termination benefits of $160,400 (2013 - $nil) to a company controlled by the former CEO. As at June 30, 2014, the Company owed $24,000 to the former CEO through a company controlled by the former CEO (2013 – $5,592), which is non-interest bearing, unsecured and due on demand.

(c) During the year ended June 30, 2014, the Company incurred management fees of $6,774 to a company controlled by the former COO (2013 – $145,000). As at June 30, 2014, the Company owed $nil to the former COO and a company controlled by the former COO (2013 – $1,804), which was non-interest bearing, unsecured and due on demand.

(d) During the year ended June 30, 2014, the Company incurred director fees of $35,484 (2013 - $20,356). As at June 30, 2014, the Company owed $18,000 to the independent directors (2013 – $26,119), which is non-interest bearing, unsecured and due on demand.

(e) During the year ended June 30, 2014, the Company accrued legal fees of $13,375 (2013 - $118,629) to a company controlled by a former director of the Company. As at June 30, 2014, the Company had received invoices totaling $44,255 from this company.

(f) During the year ended June 30, 2014, the Company incurred accounting fees of $33,333 to a company controlled by the former CFO of the Company (2013 – $125,000). As at June 30, 2014, the Company owed $nil to this company (2013 – $23,498), which was non-interest bearing, unsecured and due on demand.

(g) During the year ended June 30, 2014, the Company incurred salaries and wages expense of $52,231 (2013 – 131,758) and accounting fees of $8,960 (2013 - $10,560) to relatives of former directors and officers of the Company. As at June 30, 2014, the Company owed $nil to relatives of former directors of the Company (2013 - $4,394), which was non-interest bearing, unsecured and due on demand.

(h) As at June 30, 2014, the Company owed $105,678 to spouses of certain directors pursuant to a bridge loan agreement for an aggregate amount of $100,000 entered on September 3, 2013. The total includes accrued interest of $7,727 and is net of unamortized debt issuance costs of $2,029 (see Notes 9 and 24(b) of the consolidated financial statement).

(i) During the year ended June 30, 2014, the Company issued 4,000,000 non-transferable warrants to Dongbing (Derrick) Ma, a director of the Company, for guaranteeing the loan between the Company and Weichun Ye and Yan Zeng (Note 11 (e) of the consolidated financial statement).

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.

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 were 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.

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 BC Liquor Distribution Board (BCLDB), the Manitoba Liquor and Lotteries Corporation (MLLC) and Alberta Gaming and Liquor Commission (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 licenses 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.

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 Rocky 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.

Availability of financing

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.

Commodity price risk

The Company is exposed to commodity price risk with respect to agricultural and other raw materials used to produce the Company's products, including malted barley, hops, corn syrup, water, and packaging materials (including bottles, aluminium cans, cardboard and other paper products), where fluctuations in the market price or availability of these items could impact the Company's cash flow and production. The supply and price can be affected by a number of factors beyond management's control, including market demand, global events, frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases, and theft. To the extent any of the foregoing factors affect the prices of ingredients or packaging, the Company's results of operations could be materially and adversely impacted. To minimize the impact of this risk, the Company enters into contracts which secure supply and set pricing to manage the exposure to availability and pricing.