RUSSELL BREWERIES INC.
Management's Discussion and Analysis
For the year ended June 30, 2018

This Management's Discussion and Analysis ("MD&A") of Russell Breweries Inc. ("Russell" or the "Company") dated October 29, 2018 provides an analysis of its results of operation and financial condition for the year ended June 30, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended June 30, 2018. Additional information related to Russell Breweries Inc. is available on SEDAR at www.sedar.com .

The audited consolidated 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.

This MD&A was approved and authorized for issuance by the Board of Directors on October 29, 2018.

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

In 2016 the Company concluded the Russell Brewing Company and Fort Garry Brewing asset sales and ceased normal operations in fiscal 2017. In December 2017 the Company received the final payments related to the sales and in January 2018 completed the final return of capital cash distribution to shareholders.

The common shares of the Company were delisted from the TSX Venture Exchange and transferred to the NEX board of the Exchange that provides a trading forum for listed companies that have low levels of business activity or have ceased to carry on an active business

The Company is investigating new business opportunities, but none have yet been identified.

GOING CONCERN

As the Company does not carry on active business, its continuation is dependent on its ability to raise adequate financing and commence profitable operations in the future. There is no guarantee that such financing will occur.

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SELECTED INFORMATION

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

Selected Information	Years ended June 30		
	2018 $	2017 $	2016 $
Statement of Comprehensive Income			
Expenses	274,054	636,458	1,162,507
Loss before discontinued operations	(262,701)	(501,226)	(934,681)
Income (loss) from discontinued operations	(42,915)	2,186,857	615,012
Net income (loss) and comprehensive income (loss)	(305,616)	1,685,631	(319,669)
Basic and diluted earnings per share			
Continuing operations	-	(0.01)	(0.01)
Discontinuing operations	-	0.03	0.01
Statement of Financial Position Data			
Total assets	51,098	3,393,702	8,017,493
Total liabilities	128,750	117,805	2,074,523

PERFORMANCE AND RESULTS

Summary of Quarterly Results

Fiscal Year	2018				2017			
Quarter	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(in $000, except per share amounts)	$	$	$	$	$	$	$	$
Net revenues[1]	-	-	-	-	(111)	56	1,235	2,229
Net Income (loss) before discontinued operations	(16)	(39)	(122)	(86)	306	(214)	(502)	(91)
Net income (loss)	(22)	(54)	(116)	(114)	(1,186)	3	2,557	312
Net earnings (loss) per share – basic and diluted:								
Continuing operations	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.01)	(0.00)
Discontinuing operations	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.00	0.04	0.00

(1) The net revenue of fiscal 2017 relates to discontinued operations.

The Company completed the Fort Garry Brewing Company and Russell Brewing Company asset sales in Q2 fiscal 2017 and ceased operating activities.

Fiscal year ended June 30, 2018

The net and comprehensive loss for the year was $(305,616) compared to the net and comprehensive income $1,685,631 for the prior year. The difference results from reduced general and administrative expenses of $(361,010) resulting from ceasing operations and the net gain on sale of discontinued operations reported in fiscal 2017. The reduction of general and administrative expenses resulted from reductions in management fees, director fees, and legal and audit fees.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

As at June 30, 2018, the Company had a working capital deficiency of $77,652 and lacks sufficient assets to settle all of its liabilities.

Cash Flow

Cash used in operations was $274,100. The reduction in cash of $(1,518,931) from fiscal 2017 resulted from the second return of capital $(3,047,933) offset by the $1,803,102 receipt of holdbacks and interest relating to the asset sale.

Capital Management

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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:

	Year ended June 30	
	2018 $	2017 $
Short-term benefits:		
Salaries and management fees	**62,644**	178,516
Directors fees	**16,602**	36,154
Share-based payments	**-**	1,565
	79,246	216,235

During the year ended June 30, 2018, the Company incurred management fees to a company controlled by the CEO in the amount of $62,644 (2017-$106,801) and salaries and benefits to the CFO in the amount of $Nil (2017 – $71,715).

During the year ended June 30, 2018, the Company incurred director fees of $16,602 (2017-$36,154). There are no unpaid amounts owing at June 30, 2018.

At June 30, 2018, $2,217 was owing to the Company's CEO for expense reimbursements. This amount is non-interest bearing and has no specific terms of repayment.

ADOPTION OF NEW ACCOUNTING STANDARDS

Newly adopted Accounting Standards

During the year ended June 30, 2018 the Company did not adopt any new accounting standards and interpretations.

Future changes in Accounting Standards

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 Financial Instruments (Revised) was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 Financial instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's consolidated financial statements has not yet been determined.

IFRS 16 Leases will replace IAS 17, Leases. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's consolidated financial statements has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the 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 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, contingent 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.

Significant Estimates

The accounting for accounts receivable, amount attributable to the stock option holders, valuation of share-based payments, valuation of deferred income tax assets and liabilities and deferred income tax rates requires that management makes estimates regarding valuation and collectability of accounts receivable. Actual results could differ from the estimates made.

FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND FINANCIAL RISKS

(a) Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, restricted term deposits, accounts payable, and due to related parties are reasonable estimates of fair values due to the relatively short periods to maturity and the commercial terms of these instruments.

(b) Fair Value Measurements

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

Level 1 - Quoted Prices in Active Markets for Identical Assets:

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Significant Other Observable Inputs:

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Significant Unobservable Inputs:

Unobservable (supported by little or no market activity) inputs.

At June 30, 2018 the company's cash and cash equivalents balance of $35,287 and accounts receivable of $9,961 are valued using Level 1 inputs.

WINDING UP OF THE COMPANY

At the annual and special meeting of the shareholders held November 28, 2016 the winding up and delisting of the Company was approved.

In April 2018 the Directors decided not to windup and delist the Company.