

# **RUSSELL BREWERIES INC.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
SEPTEMBER 30, 2018 and 2017**

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**UNAUDITED**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the financial statements.

**RUSSELL BREWERIES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION****(Unaudited; Expressed in Canadian Dollars)**

	September 30, 2018	June 30, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 24,376	\$ 35,287
Accounts receivable	10,807	9,961
Prepaid expenses	1,684	5,850
	<b>\$ 36,867</b>	<b>\$ 51,098</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 124,212	\$ 128,750
	<b>124,212</b>	<b>128,750</b>
<b>SHAREHOLDERS' (DEFICIT) EQUITY</b>		
SHARE CAPITAL	4,880,885	4,880,885
SHARE-BASED PAYMENTS RESERVES	3,854,489	3,854,489
DEFICIT	(8,822,719)	(8,813,026)
	<b>(87,345)</b>	<b>(77,652)</b>
	<b>\$ 36,867</b>	<b>\$ 51,098</b>

## NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on November 28, 2018:

Signed: "W. Hugh Notman"Signed: "Norman Yurik"

The accompanying notes are an integral part of these condensed consolidated interim financial statements

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**RUSSELL BREWERIES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited; Expressed in Canadian Dollars)**

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	<hr/> Three Months Ended September 30 <hr/>	
	<b>2018</b>	2017
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EXPENSES		
General and administrative	<b>9,693</b>	29,912
	<b>9,693</b>	29,912
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LOSS FROM CONTINUING OPERATIONS	<b>(9,693)</b>	(29,912)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(83,665)
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NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	<b>(9,693)</b>	(113,577)
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EARNINGS (LOSS) PER SHARE – basic and diluted		
Continuing operations	<b>\$ (0.00)</b>	\$ (0.00)
Discontinuing operations	<b>\$ (0.00)</b>	\$ (0.00)
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Weighted average number of shares outstanding – basic and diluted	<b>87,083,788</b>	87,083,788
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**RUSSELL BREWERIES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIT)****(Unaudited; Expressed in Canadian Dollars)**

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	<b>Share Capital</b>		Share-based payments reserves	Deficit	Total Shareholders' Equity
	Number of Shares	Value			
<b>Balance June 30, 2018</b>	<b>87,083,788</b>	<b>\$4,880,885</b>	<b>\$3,854,489</b>	<b>\$(8,813,026)</b>	<b>\$(77,652)</b>
<b>Comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(9,693)</b>	<b>(9,693)</b>
<b>Balance September 30, 2018</b>	<b>87,083,788</b>	<b>\$4,880,885</b>	<b>\$3,854,489</b>	<b>\$(8,822,719)</b>	<b>\$ (87,345)</b>

	<b>Share Capital</b>		Share-based payments reserves	Deficit	Total Shareholders' Equity
	Number of Shares	Value			
Balance June 30, 2017	87,083,788	\$7,928,818	\$3,854,489	\$(8,507,410)	\$3,275,897
Comprehensive loss for the period	–	–	–	(113,577)	(113,577)
Balance September 30, 2017	87,083,788	\$7,928,818	\$3,854,489	\$(8,620,987)	\$3,162,320

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**RUSSELL BREWERIES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited; Expressed in Canadian Dollars)

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**RUSSELL BREWERIES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited; Expressed in Canadian Dollars)

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	Three Months Ended September 30	
	2018	2017
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (9,693)	\$ (113,577)
Net changes in non-cash working capital items:		
Accounts receivable	(846)	87,125
Prepaid expenses and deposits	4,166	-
Due to and from related parties	-	(6,000)
Accounts payable and accrued liabilities	(4,538)	74,914
	(10,911)	42,462
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(10,911)	42,462
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	35,287	1,554,218
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 24,376	\$ 1,596,680

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**RUSSELL BREWERIES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited; Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Russell Breweries Inc. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on March 23, 2000. The head office and principal address of the Company is located at 450-400 Burrard Street, Vancouver, BC, V6C 3A6.

During the year ended June 30, 2017, the Company completed two separate asset sale transactions to sell all of the assets utilized in its business of producing beers under the name "Fort Garry Brewing Company" ("FGB"), for a price of \$ 7,802,670 (the "Fort Garry Sale"), and all of the assets utilized in its business of producing beers under the name "Russell Brewing Company" ("RBC"), for a price of \$1,816,397 (the "Russell Sale"). The proceeds were distributed to shareholders as a return of capital in fiscal years 2017 and 2018. Subsequent to the disposals the Company changed the name of Fort Garry Brewing Company Ltd. to 6951946 Manitoba Ltd.

Before completion of the Fort Garry Sale and the Russell Sale, the Company produced beer primarily for sale to provincial liquor distribution organizations and entities engaged in the food and beverage industries within Canada.

Subsequent to the above disposals, the Company became inactive but continues to be listed under TSX Venture Exchange NEX Board under the symbol "RB.H".

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern

**2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION****Statement of Compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's June 30, 2018 annual audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 28, 2018.

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**RUSSELL BREWERIES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited; Expressed in Canadian Dollars)

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**STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)****Basis of Presentation, Functional Currency and Basis of Consolidation**

The following companies have been consolidated as at September 30, 2018:

Company Name	Registered	Holding	Functional Currency
Russell Breweries Inc.	British Columbia	Parent Company	Canadian Dollar
6951946 Manitoba Ltd.(i)	Manitoba	100%	Canadian Dollar
Russell USA LLC	United States	100%	United States Dollar

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

**Basis of Measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis, presented in Canadian dollars, except where otherwise indicated.

**Significant Accounting Estimates and Judgments**

The preparation of these condensed consolidated interim financial statements requires management to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions and estimates are based on historical experience, business trends and all available information that management considers relevant at the time of the preparation of the condensed consolidated interim financial statements. However, future events and their effects cannot be anticipated with certainty and so as confirming events occur, actual results could ultimately differ from assumptions and estimates. Such differences could be material.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies that have been used in the preparation of these condensed interim financial statements are summarized in the audited consolidated financial statements of the Company for the year ended June 30, 2018. These statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2018.



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**RUSSELL BREWERIES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**4. SHARE CAPITAL****Authorized Share Capital**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

**Issued Share Capital**

There was no change in number of outstanding shares during the three months ended September 30, 2018 and 2017.

**Stock Options**

Under the Company's stock option plan (the "Plan"), the Company's board of directors is authorized to grant stock options to directors, officers, consultants and employees of the Company not to exceed 10% of the issued and outstanding common shares of the Company from time to time. Stock options granted under the Plan are exercisable over a period not exceeding five years from the date granted. Exercise prices may not be less than the market price of the common shares on the date of grant less applicable discounts permitted by the TSX Venture Exchange. Vesting terms are determined by the board of directors on the date of grant.

There are no stock options outstanding at September 30, 2018 as all options terminated as part of the return of capital distribution in 2017 and 2018 fiscal years.

**5. RELATED PARTY TRANSACTIONS AND BALANCES**

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:

	Three Months Ended September 30			
	2018		2017	
Short-term benefits:				
Salaries and management fees	\$	-	\$	20,881
Directors fees		-		6,000
	\$	-	\$	26,881

The amounts incurred for the three months ending September 30, 2017 were to prior management and directors.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**(Unaudited; Expressed in Canadian Dollars)

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**6. 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.

Financial assets and liabilities measured at fair value on a recurring basis were presented on the Company's September 30, 2018 condensed consolidated interim statement of financial position as follows:

	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets For Identical Instruments (Level 1) \$</b>	<b>Significant Other Observable Inputs (Level 2) \$</b>	<b>Significant Unobservable Inputs (Level 3) \$</b>	<b>Balance as of September 30, 2018 \$</b>
Assets:				
Cash and cash equivalents	24,376	—	—	24,376

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(Unaudited; Expressed in Canadian Dollars)

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**FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND FINANCIAL RISKS (continued)**

**(c) Liquidity Risk**

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible.

As at September 30, 2018, the Company had a working capital deficit of \$(87,345) and lacks sufficient assets to settle all of its outstanding liabilities

**7. CAPITAL MANAGEMENT**

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to continue operations.

**8. SUBSEQUENT EVENTS**

On November 9, 2018 the Company announced its intention to (i) implement a consolidation of its outstanding common shares on the basis of one new share for up to 25 outstanding shares, and (ii) change its name to "RBI Ventures Ltd.", or such similar name as is acceptable to the TSX Venture Exchange.