

5154852-2
\$ 3,176,500
July 27, 2007

Form 45-106F1
Report of Exempt Distribution

This is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution.

Issuer information

Item 1: State the full name of the issuer of the security distributed and the address and telephone number of its head office. If the issuer of the security distributed is an investment fund, state the name of the fund as the issuer, and provide the full name of the manager of the investment fund and the address and telephone number of the head office of the manager. Include the former name of the issuer if its name has changed since last report.

Russell Breweries Inc. (the "Company")
202 - 13018 80th Avenue
Surrey, British Columbia
V3W 3B2

Telephone: (604) 604-599-1190

B.C. Securities
Commission
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Item 2: State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting.

The Company is a reporting issuer in the provinces of British Columbia and Ontario.

Item 3: Indicate the industry of the issuer by checking the appropriate box next to one of the industries listed below.

- | | |
|---------------------------------------------------------|--------------------------------------------------------------|
| <input type="checkbox"/> Bio-tech | <input type="checkbox"/> Mining: |
| <input type="checkbox"/> Financial Services: | <input type="checkbox"/> Exploration/development |
| <input type="checkbox"/> Investment companies and funds | <input type="checkbox"/> Production |
| <input type="checkbox"/> Mortgage investment companies | <input type="checkbox"/> Oil and gas |
| <input type="checkbox"/> Forestry | <input type="checkbox"/> Real estate |
| <input type="checkbox"/> Hi-tech | <input type="checkbox"/> Utilities |
| <input type="checkbox"/> Industrial | <input checked="" type="checkbox"/> Other (describe) Brewery |

Details of distribution

Item 4: Complete Schedule I to this report. Schedule I is designed to assist in completing the remainder of this report.

Item 5: State the distribution date. If the report is being filed for securities distributed on more than one distribution date, state all distribution dates.

July 27, 2007

Item 6: For each security distributed:

- (a) describe the type of security,

Units of the Company, each consisting of one common share and one common share purchase warrant.

- (b) state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date; and

Total number of common shares issued: 5,358,062

Total number of common share purchase warrants issued: 5,887,479

Breakdown

5,294,166 Units, each Unit consisting of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase a Common Share at a price of \$0.75 per Common Share.

13,896 Agents' Commission Units, each Agents' Commission Unit consists of one Common Share and one Common Share purchase warrant (an "Agents' Commission Warrant"). Each Agents' Commission Warrant entitles the holder to purchase a Common Share at a price of \$0.75 per Common Share.

529,417 Agents' Warrants, each Agents' Warrant entitles the holder to purchase a Common Share at a price of \$0.60 per Common Share.

50,000 Corporate Finance Units, each Corporate Finance Unit consists of one Common Share and one Common Share purchase warrant (a "Corporate

Finance Warrant”). Each Corporate Finance Warrant entitles the holder to purchase a Common Share at a price of \$0.75 per Common Share.

The Warrants, Agents’ Commission Warrants, Agents’ Warrants and Corporate Finance Warrants are exercisable by the holder at any time prior to July 27, 2008, subject to an early expiry provision that if at any time after November 27, 2007, the Company’s shares trade at or above a weighted average trading price of \$1.00 for 15 consecutive days, the Company may give notice that the Warrants, Agents’ Commission Warrants, Agents’ Warrants and Corporate Finance Warrants will expire 30 days from the date of providing such notice.

(c) state the exemption(s) relied on.

Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions

Section 2.5 of National Instrument 45-106 Prospectus and Registration Exemptions

Item 7: Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table, securities issued as payment for commissions or finder’s fees disclosed under item 8, below.

Jurisdiction where purchasers reside	Number of purchasers	Price per security (Canadian \$)	Total dollar value raised from purchasers in the jurisdiction (Canadian \$)
Alberta	33	\$0.60	\$528,060.00
Ontario	20	\$0.60	\$426,540.00
British Columbia	117	\$0.60	\$2,221,900.00
Total number of Purchasers	170		
Total dollar value of distribution in all jurisdictions (Canadian \$)			\$3,176,500.00

Commissions and Finder's Fees

Item 8: Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include payments for services incidental to the distribution, such as clerical, printing, legal or accounting services.

If the securities being issued as compensation are or include convertible securities, such as warrants or options, please add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

Full name and address of the person being compensated	Compensation paid or to be paid (cash and/or securities)				
	Cash (Cdn. \$)	Securities			Total Dollar Value of Compensation (Cdn. \$)
		Number and Type of Securities Issued	Price per Security	Exemption Relied on and Date of Distribution	
Bolder Investment Partners, Ltd. Suite 800, 1450 Creekside Drive Vancouver, BC V6J 5B3	\$71,459.41	35,000 common shares 35,000 common share purchase warrants* 129,667 common share purchase warrants**	\$0.60	Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	92,459.41
Canaccord Capital Corporation P.O. Box 10337 Pacific Centre Suite 2200 609 Granville Street Vancouver, BC V7Y 4H2	93,980.58	15,000 common shares 15,000 common share purchase warrants* 189,200 common share purchase warrants**	\$0.60	Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	102,980.58
MGI Securities Inc. 26 Wellington Street East Suite 900 Toronto, ON M5E 1S2	11,502.18	13,896 common shares 13,896 common share purchase warrants* 34,740 common share purchase warrants**	\$0.60	Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	19,839.78
Leede Financial Markets Inc. #1800 - 1140 West Pender St. Vancouver, BC V6E 4G1	17,388.00	41,400 common share purchase warrants**		Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	17,388.00
Northern Securities Inc. Suite 2050, One Bentall Centre, 505 Burrard Street Vancouver, BC V7X 1M6	3,528.00	8,400 common share purchase warrants**		Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	3,528.00

Full name and address of the person being compensated	Compensation paid or to be paid (cash and/or securities)				
	Cash (Cdn. \$)	Securities			Total Dollar Value of Compensation (Cdn. \$)
		Number and Type of Securities Issued	Price per Security	Exemption Relied on and Date of Distribution	
Raymond James Ltd. 2200 - 925 West Georgia St., Vancouver, BC V6C 3L2	3,150.00	7,500 common share purchase warrants**		Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	3,150.00
Research Capital Corp Suite 1500, 222 Bay St., Toronto, ON M5K 1J5	16,926.00	40,300 common share purchase warrants**		Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	16,926.00
Wolverton Securities Ltd. 17th Floor, 777 Dunsmuir Street P.O. Box 10115, Pacific Centre Vancouver, BC V7Y 1J5	32,848.20	78,210 common share purchase warrants**		Section 2.3 of National Instrument 45-106 Prospectus and Registration Exemptions	32,848.20
TOTAL	\$250,782.37				289,119.97

Notes

*Exercisable by the holder at any time prior to July 27, 2008 to purchase one common share of the Company at \$0.75 per share, subject to an early expiry provision that if at any time after November 27, 2007, the Company's shares trade at or above a weighted average trading price of \$1.00 for 15 consecutive days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice.

**Exercisable by the holder at any time prior to July 27, 2008 to purchase one common share of the Company at \$0.60 per share, subject to an early expiry provision that if at any time after November 27, 2007, the Company's shares trade at or above a weighted average trading price of \$1.00 for 15 consecutive days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice.

Item 9: If a distribution is made in Ontario, please include the attached "Authorization of Indirect Collection of Personal Information for Distributions in Ontario". The "Authorization of Indirect Collection of Personal Information for Distributions in Ontario" is only required to be filed with the Ontario Securities Commission.

Certificate

On behalf of the issuer, I certify that the statements made in this report are true.

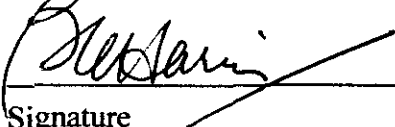
Date: August 2, 2007

Russell Breweries

Name of issuer (please print)

Brian Harris, Chief Executive Officer (604) 599-1190

Print name, title and telephone number of person signing


Signature

Item 10: State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

See as noted above

IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.