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May 24, 2006

OFFERING MEMORANDUM

The Issuer

Name: **RUSSELL BREWERIES INC.**
Address: 202-13018 80 Avenue
Surrey, BC V3W 3A8
Phone #: 604-837-4847
E-mail address: bharris@russellbeer.com
Fax #: 604-599-1048

Currently listed or quoted? Yes. CNQ Stock Exchange
Reporting issuer? Yes. British Columbia and Ontario
SEDAR filer? Yes

The Offering

Securities Offered: 5,000,000 units (each a "Unit"). Each unit consists of one common share and one two-year non-transferable share purchase warrant entitling the holder to acquire an additional common share for \$0.50. See Item 5 for additional terms.

Price per Security: \$0.30 per Unit
Minimum Offering: \$0. You may be the only purchaser.
Maximum Offering: \$1,500,000.00
Minimum subscription amount: There is no minimum subscription amount an investor must invest.

Payment Terms: To Bolder Investment Partners, Ltd. (the "Agent"), the exclusive agent for the offering.

Proposed Closing Date: The earlier of June 30, 2006 or the date upon which this offering is completely sold. The Issuer and Agent may extend this date by agreement.

Selling Agent: The name of the selling agent is Bolder Investment Partners, Ltd.

Resale Restrictions

You will be restricted from selling your securities for four months and a day from closing of this offering. See item 10.

Purchaser's Rights

YOU HAVE 2 BUSINESS DAYS TO CANCEL YOUR AGREEMENT TO PURCHASE THESE SECURITIES. IF THERE IS A MISREPRESENTATION IN THIS OFFERING MEMORANDUM, YOU HAVE THE RIGHT TO SUE EITHER FOR DAMAGES OR TO CANCEL THE AGREEMENT. SEE ITEM 11.

NO SECURITIES REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THESE SECURITIES OR REVIEWED THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS IS A RISKY INVESTMENT. SEE ITEM 8.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Net Proceeds

The Issuer anticipates that the net proceeds of this offering will be as follows:

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by this offering	\$0	\$1,500,000
B	Selling commissions and fees	\$0	\$ 117,500
C	Estimated offering costs (e.g., legal, accounting, audit.)	\$30,000	\$ 30,000
D	Net proceeds: $D = A - (B + C)$	(\$20,000)	\$1,352,500

1.2 Use of Net Proceeds

The Issuer intends to use the proceeds of this offering as follows:

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming Minimum Offering	Assuming Maximum Offering
Acquisition of existing brewery assets and/or expansion of current facilities	Nil	\$1,000,000
Marketing and Sales	Nil	\$ 200,000
Working Capital	Nil	\$ 152,500

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

ITEM 2 BUSINESS OF RUSSELL BREWERIES INC.

2.1 Structure

The Issuer is a company incorporated under the *Company Act* (British Columbia) on March 23, 2000 and transitioned under the *Business Corporations Act* (British Columbia) on March 29, 2005. The principal business address of the Issuer is 202-13018 80 Avenue, Surrey, British Columbia V3W 3A8. The registered and records office of the Issuer is 200 – 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2.

2.2 Our Business

Through its wholly owned subsidiary, Russell Brewing Company Ltd. ("Russell Brewing" or the "Company"), the Issuer owns and operates a microbrewery based in Surrey, British Columbia. Russell Brewing is an established craft brewery that has been operating in the greater Vancouver area for over ten years. The company's facilities, which include corporate offices, a plant, machinery, office equipment and storage, are located in Surrey.

Products and Services

Russell Brewing is presently operating at 100% capacity. The brewery produces and distributes draught beer in kegs exclusively to over 200 restaurants, pubs and nightclubs in British Columbia. Primary areas of distribution include Vancouver, Whistler and Victoria. Russell Brewing does not have a bottling or canning facility.

The Company produces high quality, full-flavored craft beer using 100% natural ingredients and traditional brewing techniques. All products are periodically tested internally to ensure they meet its quality standards. The product line includes four core products including: Russell Cream Ale, Russell Pale Ale, Russell Honey Blonde Ale, and Russell Extra Special Lager. As well, the brewery produces two seasonal products including the Russell Lemon Ale in the summer and the Russell Winter Porter in the winter months.

Marketing Plan and Strategy

The vision of Russell Breweries Inc is to become the leading producer of premium craft beer in Western Canada. In order to achieve this objective, the core marketing focus of the Company will be in five areas: increasing brand equity for Russell Brewing through a targeted promotional strategy, launching Russell Brewing brands into the retail packaged sector, increasing points of distribution, pricing products competitively, and expanding the Company's product portfolio.

Over the next 18 months, Russell Brewing intends to introduce Russell beer into packaged products in the retail sector either through the acquisition of existing brewery facilities that have bottling and canning lines and/or the expansion of the current production facility. The Company will continue to increase sales and points of distribution of Russell draught products on-premise (in licensed restaurants, pubs and nightclubs). It also intends to expand the number of products being served at these locations while stimulating consumer demand through public relations and sales promotional tactics such as contests, product sampling, special events, and high-end branded point of purchase material. This will be supported by measures to help push the products through the distribution channel including trade incentives, trade educational seminars and trade shows. As the Company expands, targeted advertising will be added to the marketing mix.

2.3 *Development of Business*

The Issuer was incorporated on March 23, 2000 as a capital pool company established in accordance with the policies of the CDNX (now the TSX Venture Exchange). The principal business of the Issuer was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation, subject to shareholder and regulatory approval.

In September 2001, the Issuer filed a capital pool company prospectus with the British Columbia Securities Commission (the "Commission"). The Commission receipted the Issuer's final prospectus on June 7, 2002. However, the Issuer was unable to complete the intended offering under the prospectus and failed to obtain a listing on the TSX Venture Exchange.

From June 2002 to July 2003, the Issuer was essentially dormant and did not conduct any significant business operations. On September 5, 2003, the Issuer entered into an agreement with Russell Brewing whereby it agreed to acquire the principal assets of the brewery for \$100,000 and 820,000 common shares in the Issuer's capital. On May 18, 2005 the Issuer completed reorganization and reactivation activities and commenced trading on the CNQ Stock Exchange.

2.4 Long Term Objectives

The Issuer's long term objectives are to expand its business through the acquisition of other compatible breweries and the expansion of existing facilities. Please refer to the section above entitled "Our Business" for more information.

2.5 Short Term Objectives and How We Intend to Achieve Them

In the next 12 months, the Issuer intends to launch a number of its products into the retail sector of the market in bottles and cans.

What We Must Do and How We Will Do It	Target Completion Date or, if not known, Number of Months to Complete	Our Cost to Complete
Increase Existing Facilities - acquire existing brewery operations and/or expand existing facilities	Summer 2006	\$1,000,000
Create and Market Additional Products - recipe formulation by Brewmaster - label design and marketing	September 2006	\$20,000
Offer Russell Brewing Products in Cans and Bottles - purchase of packing equipment - bottling of product	Contracted: June 2006 In-house: December 2006	\$10,000 \$55,000
Increase Distribution Through Marketing - retain additional sales agents - contact potential new clients	Ongoing	\$200,000

2.6 Insufficient Proceeds

The proceeds of the Issuer's proposed offering may not be sufficient to accomplish all of the Issuer's proposed objectives and there is no assurance that alternative financing will be available.

2.7 Material Agreements

The Issuer is a party to the following material agreements:

- The Issuer has three vehicles under a capital lease from Totem Leasing with a term of three years. The lease is payable in total monthly installments of \$2045, plus tax.
- The Issuer has two vehicles under a capital lease from Jim Pattison Lease for two years. The lease is payable in total monthly installments of \$522 per month plus tax.
- The Issuer has a Hino Delivery Vehicle under an Equipment Lease from Coast Capital. The monthly payment of this lease is \$1000 per month plus tax.
- The Issuer has a Canadian government guaranteed bank loan from Scotia Bank in the amount of \$250,000. The Issuer has drawn down against the bank the amount of

\$242,743. The principal is being repaid on a straight line basis from January 2005 in the amount of \$4,167 per month.

- e) The Issuer has an operating lease with West Bend Construction Limited for its premises which expires January 2007, with an option to renew for a further three years. The monthly amount of this lease is \$2,925.
- f) During the year ended June 30, 2004, the Issuer received a loan of \$150,000 from Vancouver City Savings & Credit Union with a term of four years. The loan bears interest at prime plus 3% per annum, repayable in monthly installments of \$3,125, plus interest. The loan is secured by a demand promissory note, a general security agreement against all of the Issuer's property and a guarantee of postponement of claim of \$37,500 by a director of the Issuer.
- g) The Issuer has a consulting services agreement with MSI Marketing Services International Inc., a private owned by Brian Harris, and employment agreements with Andrew Harris and John Morgan. All of these individuals are directors of the Issuer. Each currently receives \$4,000 per month for his services. The agreements provide that if the Issuer's annualized sales reach certain targets, the monthly remuneration paid to these parties will increase as follows:

Annualized Sales Target	Consulting Fee or Salary Per Month
\$1,500,000	\$6,000
\$3,000,000	\$8,000

Once the Issuer's annual sales exceed \$4,000,000, the monthly remuneration paid the above individuals shall be increased by 10% annually provided that the Issuer's sales increase at a minimum of 15% per year.

- g) The Issuer has retained RSR Holdings, an arm's length company, to provide corporate development services for a period of 12 months commencing April 12, 2006. In consideration of providing such services, the Issuer will pay RSR Holdings \$2,500 per month and grant RSR Holdings 250,000 options for a period of five years with an exercise price of \$0.33 per share. The agreement may be terminated on 30 day's notice by either party.

ITEM 3 DIRECTORS, MANGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 *Compensation and Securities Held*

The name, municipality of residence, position, and securities holdings of each of the directors, officers and promoters of the Issuer are set out below, as well as the compensation each has received since the Issuer's inception:

Name and Municipality of Principal Residence	Positions Held and Date of Obtaining That Position	Compensation Paid by Issuer to date and the Compensation and Anticipated to be Paid in the Current Financial Year	Number, Type and Percentage of Securities of the Issuer Held after Completion of Minimum Offering	Number, Type and Percentage of Securities of the Issuer Held after Completion of Maximum Offering
Andrew Harris Vancouver, BC	President, C.O.O. & Director since August 16, 2003	Since 1/04 paid: \$48,000 anticipated: \$48,000	550,000 common shares 5.5%	550,000 common shares 3.7%*
Brian Harris, Richmond, BC	Chairman of the Board, Chief Executive Officer, Secretary and Director since August 16, 2003	Since 1/04 paid: \$48,000 anticipated: \$48,000	550,000 common shares 5.5%	550,000 common shares 3.7%*
John Morgan Vancouver, B.C.	Chairman of the Advisory Board, Director since June 21, 2005	Since: 3/05 paid: \$48,000 anticipated: \$48,000	685,000 common shares 6.8%	685,000 common shares 4.6%*

*Based on the Issuer issuing 5,000,000 common shares upon the sale of the entire Offering. The calculation does not include the issuance of any common shares upon the exercise of the share purchase warrants comprising the Units.

3.2 Management Experience

The following table outlines the principal occupation of each director and officer over the past five years, as well as relevant experience in the brewing and restaurant sectors:

Name	Principal Occupation and Related Experience
Andrew Harris President, C.O.O. and Director	President of the Issuer since August 2003; Director of Food and Beverage for Arts Club Theatre from June 1999 to June 2003; Manager, Rainforest Café from March 1997 to June 1999; co-founder of XtremeTV.com, an online extreme sports media company, in 1998.
Brian Harris Chairman of the Board, Chief Executive Officer and Director	C.E.O. of the Issuer since August 2003; Managing partner with MSI Marketing Services International, Inc., a private company involved in consulting and capital raising for development stage companies, since 1989.
John Morgan Director	Director & Chairman of Advisory Board & Strategic Planning for the Issuer since May 2005. Partner, The Springboard Group since 2005. Vice President and General Manager of Labatt Breweries from 1978 to 1986; President & Managing Director Labatt Breweries of Europe 1986 to 1990; President of Labatt's Breweries of Canada from 1990 to 1993.

ITEM 4 CAPITAL STRUCTURE

4.1 Share Capital

The following table describes the authorized and issued capital of the Issuer, as well as the number of securities that will be outstanding after the completion of the offering:

Description of Security	Number Authorized to be Issued	Number Outstanding as at May 24, 2006	Number Outstanding after the Minimum Offering	Number Outstanding after the Maximum Offering
Common shares without par value	100,000,000	10,022,135	10,022,135	20,022,135*

*This number includes the maximum number of common shares of the Issuer that would be issuable if all of the Warrants forming part of the Units being offered were exercised.

4.2 Long Term Debt

At December 31, 2005, the Issuer's long term debt consisted of \$142,735 due to the Bank of Nova Scotia pursuant to a loan agreement and \$96,650 due pursuant to capital leases.

Description of Long Term Debt (including whether secured)	Interest Rate	Repayment Terms	Amount outstanding at April 30, 2006
Canadian government guaranteed bank loan from the Bank of Nova Scotia (secured by present and after acquired property and personal guarantee of director)	Prime rate plus 2.5%	\$4,167 per month	\$126,067
Capital leases through Totem Leasing and Cost Capital Leasing (unsecured)	Ranging from 1% to 13% per annum	\$3,186 per month	\$83,908

4.3 Prior Sales

The Issuer has issued the following common shares in its capital stock in the past 12 months:

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price Per Security	Total Funds Received
January 5, 2006	Common shares without par value	1,363,666	\$0.375	\$511,375

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

Each unit consists of one common share and one non-transferable share purchase warrant entitling the holder to acquire one additional common share for \$0.50 for a 24 month period following the closing date of this offering.

The Issuer's common shares rank equally as to dividends, voting rights and participation in assets. No shares have been issued which are subject to call or assessment. There are no pre-emptive or conversion rights and no provision for redemption purchase for cancellation, surrender or sinking or purchase funds. Provisions as to the modifications, amendments or variation of such rights or provisions are contained in the British Columbia Securities Act.

The Warrants will contain, among other things, provisions for appropriate adjustment of the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of the common shares of the Issuer, the payment of stock dividends or the reorganization or amalgamation of the Issuer. The Warrants will be non-transferable and will not be listed on any exchange or other public market.

If at any time after the date four months after the completion of the Offering, the Issuer's common shares trade on an exchange above a weighted average trading price of \$0.75 for 20 consecutive trading days, the Issuer may provide written notice of acceleration of the expiry date of all of the Warrants to the Warrant holders and issue a press release on the date of such notice publicly announcing such acceleration. The Warrants will then expire 30 days following the date such press release is issued and disseminated.

5.2 Subscription Procedure

Each investor will be required to execute a Subscription Agreement (including appendices) and Risk Disclosure Statement in the forms provided with this Offering Memorandum. No subscription will be accepted until such time as the Board of Directors of the Issuer has approved the issuance to the particular investor of the securities subscribed for by that investor.

All subscription funds forwarded to the Agent will be held in trust for a period of two days. During this time, you have the right to cancel your agreement to purchase shares.

ITEM 6 INCOME TAX CONSEQUENCES

You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

In consideration for acting as agent under the offering, the Issuer has agreed to pay the Agent:

- a) a cash commission equal to 7.5% of the gross proceeds of the offering, of which the Agent may elect to be paid up to half in Units;
- b) warrants (the "Agent's Warrants") entitling the Agent to purchase up to such number of common shares of the Issuer equal to 20% of the total number of Units sold through the Offering, for a period of two years from the date of the closing of the offering. Each Agent's Warrant will be exercisable into one common share of the Issuer for \$0.30. The Agent's Warrants will be subject to the same early expiry provisions that apply to the Units being offered hereby (refer to Item 5.1 above);

- c) a corporate finance fee consisting of 100,000 Units; and
- d) a work fee equal to \$5,000 plus GST.

ITEM 8 RISK FACTORS

If the Issuer Continues to Incur Net Losses, its Business May Fail.

The Issuer has neither a history of earnings nor has it paid any dividends. It is unlikely to pay dividends or realize a profit in the foreseeable future. The Issuer has a significant working capital deficiency and has significant accumulated losses since inception. The continuation of the Issuer as a going concern is dependent upon the continued financial support of its shareholders, the ability of the Issuer to obtain necessary equity financing and to generate sustainable significant revenue.

The Issuer's Business May Fail If It Does Not Obtain Additional Financing

The Issuer's business plan calls for ongoing expenses in connection with proposed business expansion. The Issuer will require additional funding in order to finance this development of its business plan. If it is unable to raise the funds necessary, the Issuer may have to delay the implementation of its business plan. The Issuer does not have any arrangements for financing and can provide no assurance that it will be able to obtain the required financing when needed.

If the Issuer Is Not Able To Effectively Respond To Competition, Its Business May Fail

The Issuer will compete with other breweries, brewpubs and restaurants. Competition in these sectors is intense, with the majority of new market participants failing. While Russell Brewing has survived through the development stage of its business, the Issuer's ability to expand operations will require it to compete with established, larger breweries and brew pub restaurant chains. Many of these competitors have been in business for much longer than Russell Brewing and have established markets.

If the Issuer is Unable to Hire and Retain Key Personnel, it May Not be Able to Implement its Business Plan.

The Issuer depends on the services of senior management and key technical personnel. If the Issuer lost the services of any of key persons, it would be difficult to find replacements with similar skills, experience and industry contacts.

The Issuer's Share Price is Volatile and the Market For Them is Often Illiquid.

There can be no assurance that the price of the Issuer's common shares will not decline below the current market price. Stock markets have experienced extreme price and volume volatility in recent years. This volatility has had a substantial effect on the market prices of securities of many small public companies for reasons frequently unrelated to the specific companies. These broad market fluctuations may adversely affect the market price of the Issuer's common shares. While the Issuer's common shares trade through the facilities of the CNQ, there is no guarantee that a liquid market for the Issuer's shares will develop, and if developed, will continue. To date, the Issuer's shares have traded sporadically on the CNQ.

The Issuer has not declared Dividends Since its Incorporation.

The Issuer has never declared or paid cash dividends on its common shares and does not anticipate doing so in the foreseeable future. There can be no assurance that the Issuer's board of directors will ever declare cash dividends, which action is exclusively within their

discretion.

ITEM 9 REPORTING OBLIGATIONS

The Issuer will send its audited financial statements for its fiscal year-end and deliver a copy of its interim financial statements to all shareholders who request copies by filling out a supplemental mailing list card that will be included with the Issuer's proxy materials relating to its Annual General Meeting.

The Issuer is also required to file certain documents, including financial statements, insider reports, news releases, material change reports and proxy materials with the British Columbia Securities Commission and Ontario Securities Commission via the SEDAR and SEDI websites. Shareholders and prospective investors may review these filings by visiting www.sedar.com and www.sedi.ca.

ITEM 10 RESALE RESTRICTIONS

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the distribution date.

ITEM 11 PURCHASER'S RIGHTS

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

1. **Two Day Cancellation Right** – You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.
2. **Statutory Rights of Action in the Event of a Misrepresentation** - If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:
 - (a) Russell Breweries Inc. to cancel your agreement to buy these securities, or
 - (b) for damages against Russell Breweries Inc.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the securities.

ITEM 12 CERTIFICATE

THIS OFFERING MEMORANDUM DOES NOT CONTAIN A MISREPRESENTATION

DATED at Vancouver, British Columbia this 24th day of May, 2006

RUSSELL BREWERIES INC.

ANDREW HARRIS
President and Director

BRIAN HARRIS
CEO, Secretary and Director

JOHN MORGAN
Director