

**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.**  
202-13018 80 Avenue  
Surrey, BC V3W 3A8  
Telephone #: 778-846-2335

**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.

Russell Breweries Inc. is a reporting issuer in 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.

☐ Bio-tech

Financial Services

☐ investment companies and funds

☐ mortgage investment companies

☐ Forestry

☐ Hi-tech

☒ Industrial

Mining

☐ exploration/development

☐ production

☐ Oil and gas

☐ Real estate

☐ Utilities

☐ Other (describe)

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## **Details of distribution**

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

**Schedule I is completed below.**

**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.

October 17, 2006.

**Item 6:** For each security distributed:

- (a) describe the type of security,
  - (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
  - (c) state the exemption(s) relied on.
1. 5,100,000 units, each unit consisting of one common share and one two-year non-transferable warrant entitling the holder to acquire an additional common share of the Issuer for \$0.50 until October 17, 2008;
  2. 1,000,000 agent's warrants entitling the holders to purchase up to 1,000,000 common shares in the capital of the Issuer for \$0.30 until October 17, 2008.

If at any time after February 18, 2007, the Corporation's common shares trade on the TSX Venture Exchange, or, if such shares are not listed on the TSX Venture Exchange, on such other exchange as such shares are listed on, above a weighted average trading price of \$0.75 for 20 consecutive trading days, the Issuer may deliver written notice of acceleration of the expiry date of all, but not less than all, of the above noted warrants to the holders thereof and issue a press release on the date of such notice publicly announcing such acceleration. Thereafter, the warrants shall then expire 30 days following the date such press release is issued and disseminated.

The exemptions relied upon in making the above distributions were sections 2.3 and 2.9 of National Instrument 45-106 and British Columbia Securities Act section 74(2)(23).

**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.

Each jurisdiction where purchasers reside	Number of purchasers	Price per security (Canadian \$) <sup>1</sup>	Total dollar value raised from purchasers in the jurisdiction (Canadian \$)
British Columbia	68	\$0.30	\$1,291,800
Alberta	8	\$0.30	\$150,000
Ontario	2	\$0.30	\$58,200
<b>Total number of Purchasers</b>	78		
<b>Total dollar value of distribution in all jurisdictions (Canadian \$)</b>			\$1,500,000

**Note 1:** If securities are issued at different prices list the highest and lowest price the securities were sold for.

### 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 (Canadian \$)	Securities			Total dollar value of compensation (Canadian \$)
		Number and type of securities issued	Price per security	Exemption relied on and date of distribution	
Bolder Investment Partners Ltd. 800 – 1450 Creekside Drive Vancouver, B.C. V6J 5B3	\$112,500	100,000 units 927,600 warrants	\$0.30 \$0.30 exercise price	Securities Act s. 74(2)(3) Oct 17, 2006	\$142,500.00
Wolverton Securities Ltd. 777 Dunsmuir Street, 17 <sup>th</sup> Floor Vancouver, B.C. V7Y 1J5	Nil	50,000 warrants	\$0.30 exercise price	Securities Act s. 74(2)(3) Oct 17, 2006	Nil
Canaccord Capital Corporation 2200 – 609 Granville Street Vancouver, B.C. V7Y 1H2	Nil	22,400 warrants	\$0.30 Exercise price	Securities Act s. 74(2)(3) Oct 17, 2006	Nil
					\$142,500.00

**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: October 27, 2006

Russell Breweries Inc.

Name of issuer (please print)

Brian Harris, C.E.O. (telephone: 778-846-2335)

Print name, title and telephone number of person signing

“Brian Harris”

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.

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