RUSSELL BREWERIES INC.

FORM 51-102F3

MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Russell Breweries Inc. ("Russell")
#202 – 13018 – 80th Avenue
Surrey, British Columbia, V3W 3B2

2. **Date of Material Change**

December 31, 2007.

3. **News Release**

A news release disclosing the material change was issued in Vancouver, British Columbia, on January 2, 2008.

4. **Summary of Material Change**

Russell is pleased to announce that it entered into a loan agreement (the "**Loan Agreement**") on December 31, 2007, pursuant to which a shareholder of Russell (the "**Lender**"), provided to Russell a loan (the "**Loan**") valued at maturity in the amount of $1,239,000. A discounted value or Loan advance amount of $965,000 is calculated based on an 8.5% per annum interest rate, calculated semi-annually, with interest payable on maturity resulting in a total loan value at maturity of $1,239,000. In consideration of the Lender agreeing to provide the Loan, the Lender will also earn a bonus of $25,000 to be deducted from the Loan advance amount for a net advance to Russell of $940,000. The term of the Loan is three years. The Company may repay the Loan at any time without penalty by paying the discounted Loan advance amount of $965,000 together with accumulated interest.

5.1 **Full Description of Material Change**

Russell is pleased to announce that it entered into a Loan Agreement on December 31, 2007, pursuant to which a shareholder of Russell (the "**Lender**"), provided to Russell a Loan valued at maturity in the amount of $1,239,000. A discounted value or Loan advance amount of $965,000 is calculated based on an 8.5% per annum interest rate, calculated semi-annually, with interest payable on maturity resulting in a total loan value at maturity of $1,239,000. In consideration of the Lender agreeing to provide the Loan, the Lender will also earn a bonus of $25,000 to be deducted from the Loan advance amount for a net advance to Russell of $940,000. The term of the Loan is three years. The Company may repay the Loan at any time without penalty by paying the discounted Loan advance amount of $965,000 together with accumulated interest.

The Loan is guaranteed by Russell Brewery Company Ltd. ("**RBCL**") and Fort Garry Brewing Ltd. ("**Fort Garry**"), both wholly-owned subsidiaries of Russell. Russell intends to repay the Loan by utilizing cash flow or by a debt or equity refinancing.

Russell intends to use the proceeds of the Loan for its brewery operations, the launch of packaged products in British Columbia, capital expenditures, miscellaneous expenditures and for general working capital.

As security for the Loan, Russell, RBCL, and Fort Garry will grant to the Lender a subordinated security agreement creating a security interest and charge over all of their respective property and assets subordinate to senior debt and senior security of up to $2.5 million plus capital lease obligations incurred for future acquisitions of equipment and other capital assets.

As a bonus, Russell has issued 250,000 Warrants to the Lender, each Warrant entitling the holder to purchase one Russell common share at a price of $0.65 per share. The Warrants will expire on December 31, 2009. The Warrants and any shares issued upon exercise of the Warrants are subject to a hold period expiring May 1st, 2008.

The Loan and the issuance of the Warrant in connection therewith are subject to final acceptance by the TSX Venture Exchange.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officers

For further information about this material change, contact Brian Harris, Chief Executive Officer, at (604) 599-1190.

9. Date of Report

DATED at Vancouver, British Columbia this 3rd day of January, 2008.

"Signed"
Name: Andrew Harris
Title: President