

Hill Street Reports Strong FY 2022 Year End and Q4 Results and Applies to Amend Warrant Terms

Highlights for the Year:

- **Delivered outstanding consolidated net revenue growth of +46% YoY for the full year, and exceptional +134% YoY growth in Q4**
- **Achieved full year gross profit increase of +37% YOY despite supply chain cost increases and inventory write-offs from now-withdrawn (V)ia Regal cannabis beverage business**
- **Re-engineered our Vin(Zero) commercial business model to improve the key financials of the business and began executing on a global distribution expansion strategy**
- **Activated and expanded our DehydraTECH™ licensing business, growing the U.S. DehydraTECH™ licensee ecosystem from two to seven and doubling the number of US states in operation in our DehydraTECH™ licensing footprint**
- **Re-evaluated our overall cannabis strategy for Canada after a full year in-market, subsequently withdrawing the (V)ia Regal cannabis beverage initiative from the Canadian market**
- **Added key members to the management team to drive the growth agenda**

Toronto, Ontario--(Newsfile Corp. - October 31, 2022) - Hill Street Beverage Company Inc. (TSXV: HILL) ("**Hill Street**" or the "**Company**") reported its audited fiscal 2022 results for the twelve-month and three-month periods ended June 30, 2022. A complete set of audited financial statements and Management's Discussion and Analysis has been filed at www.sedar.com. The Company also announces today that it will apply to the TSX Venture Exchange to amend the expiry date and reprice the exercise price of warrants that are set to expire on November 18, 2022. All dollar figures are quoted in Canadian dollars.

RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the years ended June 30, 2022, June 30, 2021 and June 30, 2020.

Results for the Year Ended	June 30, 2022	June 30, 2021	June 30, 2020
Gross Revenue	\$3,660,008	\$2,753,481	\$2,613,923
Chargebacks, finance fees, and listing fees	(\$447,685)	(\$558,567)	(\$883,068)
Net Revenue	\$3,212,323	\$2,194,914	\$1,730,855
Direct Costs	(\$1,675,231)	(\$1,071,284)	(\$1,004,806)
Gross Profit	\$1,537,092	\$1,123,630	\$726,049
Operating Expenses (excl. One-time & Non Cash)	(\$2,929,107)	(\$2,829,462)	(\$2,453,643)
One-time Expenses	(\$180,006)	(\$167,548)	(\$1,242,075)
Non Cash Expenses	(\$911,140)	(\$1,075,035)	(\$676,940)
Loss before other Income (Expense)	(\$2,483,161)	(\$2,948,415)	(\$3,646,609)
Other income (Expenses)			
Foreign exchange gain (loss)	\$901	(\$5,393)	(\$7,975)
Gain on favourable interest rate	-	\$6,541	\$17,939
Gain on settlement of liability	\$2,288	\$137,480	\$43,217
Gain (loss) on fair value of Consideration	\$69,308	(\$259,216)	-
Loss on impairment of assets held for sale	(\$54,055)	-	-
Loss on impairment of intangibles	(\$5,629)	-	(\$8,000)
Write-off of inventory	(\$115,906)	(\$17,258)	(\$80,445)
Other income	\$8,319	\$30	\$194
Income (Loss) and comprehensive income (loss) for the period	(\$2,577,935)	(\$3,086,231)	(\$3,681,679)

Basic and diluted loss per common share	(\$0.01)	(\$0.02)	(\$0.04)
Weighted average number of common shares outstanding	214,618,160	141,775,866	104,401,665

BUSINESS HIGHLIGHTS FOR THE FULL FISCAL YEAR 2022

Hill Street's fiscal year 2022 was by far the most successful fiscal year in the history of Hill Street in terms of both operational and financial results.

"This year was a step-change in our business, highlighted by an outstanding record fourth quarter," said Craig Binkley, CEO of the Company. "With both our Vin(Zero) alcohol-free wine and DehydraTECH™ licensing businesses, we took bold steps in expanding their footprints and addressable markets during the year. We continue to show dynamic growth and improved financials as evidence of the potential of this next-generation business model."

Several key highlights of the year:

- Major adjustments were made across all the key areas of the Vin(Zero) business, including production planning, shipping and logistics, warehousing, sales and retail distribution. The changes had a significant positive impact on Q4 sales and are expected to drive key positive financial impacts over time.
- New distribution programs for Vin(Zero) outside of Canada, beginning the push towards global aspirations for this business, including a new distribution and promotional program in the U.S. with New York-based alcohol-free retailer Boisson; and new distribution in Australia.
- Expanded DehydraTECH™ intellectual property licensing relationships, increasing the DehydraTECH™ licensing footprint from four states at the beginning of the fiscal year to eight states at fiscal year-end, representing a population of over 90 million people^[1] (+305% vs. the 29.5MM with which we started the fiscal year) and an addressable market of \$19.2B USD^[2] in estimated 2022 total cannabis sales.
- Continued to support the cannabis-infused beverage business in Canada throughout the year, but ultimately decided to withdraw that initiative and focus on the Company's two strong growth businesses.

FINANCIAL HIGHLIGHTS FOR FULL YEAR FISCAL 2022

Delivered outstanding consolidated net revenue growth of +46% YoY for the full year

Stellar revenue growth for the year was driven by strong growth and business model adjustments on the Vin(Zero) business as well as more than doubling of revenues on the DehydraTECH™ licensing business.

Net Loss Narrowed Substantially in Fiscal 2022

An improvement in earnings was driven primarily by a +37% increase in gross profit, achieved despite significant supply chain cost increases and costs related to the now-withdrawn (V)ia Regal cannabis beverage business. Our [preliminary unaudited FY2022 financial results](#) showed expected gross profit for the fiscal year to increase 47% YoY excluding the impact of the (V)ia Regal business, but year-end accounting adjustments resulted in a lower gross profit increase. The strong business growth was accomplished while maintaining relatively flat operating expenses, resulting in a +16% improvement in net earnings.

Q4 HIGHLIGHTS

Q4 Net Revenues More than Doubled to a Record \$1.2MM

The strength of the business and the adjustments in the business model drove the Vin(Zero) revenues and total consolidated revenues for the fourth quarter. We also continued to see growth on DehydraTECHTM licensing revenues.

We now have an operating footprint of DehydraTECHTM licensees in the U.S. covering ten states with a total population of 115MM^[3] and an addressable market of approximately \$21.5B USD in estimated 2022 cannabis sales^[4]. That footprint covers states generating almost two-thirds of the addressable market of \$33B USD in projected total U.S. cannabis sales for 2022, up from our coverage of less than one-quarter of total U.S. cannabis sales at the beginning of FY 2022.

Appointment of New CFO Completes a Transformational Year of Adding Key Members to the Management Team to Drive the Growth Agenda

Matthew Jewell was appointed as permanent Chief Financial Officer on October 12, 2022, joining Pearl Chan, who joined the Company on September 27, 2021 as its first Chief Legal Officer, and Craig Binkley, who accepted the full-time CEO position on January 6, 2022. The full Hill Street team is now poised to lead the company through its next phase of growth and development.

Application to the TSX Venture Exchange for Warrant Repricing and Expiry Extension

The Company also announces that it will file an application today to the TSX Venture Exchange to extend the expiry date and to amend the exercise price of 11,250,900 warrants ("**Warrants**") of the Company issued in connection with a non-brokered private placement of the Company that closed on or around November 18, 2020.

The Company intends to extend the expiry date of the Warrants to March 17, 2023 and to amend the exercise price of the Warrants to \$0.05. The Warrants, as amended, would include an accelerated expiry provision such that the exercise period of each of the Warrants would be reduced to 30 days if for any 10 consecutive trading days, the closing price of the Company's common shares is equal or greater than \$0.0625, with the 30-day expiry period commencing on the day the Company disseminates a press release announcing the commencement of the accelerated expiry period. Approval of such Warrant amendments is subject to the approval of the TSX Venture Exchange.

A portion of the Warrants are held by parties who are considered to be "related parties" of the Company. Therefore, the amendment of Warrants constitutes a "related party transaction" as contemplated by Multilateral Instrument 61-101 Protection of Minority Shareholders in Special Transactions, and TSXV Policy 5.9 - Protection of Minority Shareholders in Special Transactions. However, the exemptions from formal valuation and minority approval requirements provided for by these guidelines can be relied upon as the fair market value of the Warrants does not exceed 25% of the market capitalization of the Company. A material change report in respect of this related party transaction will be filed by the Company.

While the Company is prioritizing the push to achieve positive quarterly cash flow without additional fundraising through its revenue generating and cost containment measures, it believes that the repricing of the Warrants is reasonable and necessary in the context of the overall market, as it increases the likelihood that any additional cash needs of the Company could be financed through the exercise of the Warrants.

About Hill Street Beverage Company Inc. (TSXV: HILL)

Hill Street Beverage Company Inc. is a progressive non-alcoholic beverage and cannabis solutions company. We are pioneering the space where craft consumer products meet bioscience by combining our deep CPG expertise and our rights to use **Lexaria Bioscience Corp.'s** ground-breaking

DehydraTECH™ patent portfolio for product development, licensing and B2B sales of cannabis ingredients.

For more information on our business activities or to check out **Hill Street's** award-winning alcohol-free line-up and order product to be delivered straight to your home go to www.hillstreetbeverages.com

For more information:

Craig Binkley, Chief Executive Officer
craig@hillstreetbevco.com

FORWARD-LOOKING STATEMENTS

Statements in this press release may contain forward-looking information. Any statements in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "would", "anticipate", "expects", and similar expressions. The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances, such as future availability of capital on favourable terms, may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. The reader is cautioned not to place undue reliance on any forward-looking information. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement. The forward-looking statements contained in this press release are made as of the date of this press release. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Not for dissemination in the United States.

[1] US Census Bureau, <https://www.census.gov/quickfacts/fact/table/US/PST045221>

[2] MJBiz Factbook 2022

[3] US Census Bureau, <https://www.census.gov/quickfacts/fact/table/US/PST045221>

[4] MJBiz Factbook 2022



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