

Hill Street Reports FY 2021 Second Quarter Results and Provides Update on Operations

Toronto, Ontario--(Newsfile Corp. - March 2, 2021) - **Hill Street Beverage Company Inc. (TSXV: BEER) ("Hill Street" or the "Company")** reported its second quarter results for the period ended December 31, 2020. A complete set of financial statements and Management's Discussion & Analysis has been filed at www.sedar.com. All dollar figures are quoted in Canadian dollars.

The second quarter of FY21, saw continued momentum for the Company despite ongoing pandemic related challenges. Net revenue grew 8% to \$745,748 from \$689,276 versus the same quarter year ago. The Company also saw significant improvement on its bottom line, reducing its net loss by 50% from (\$.956) million to (\$.481) million, year over year for the quarter, as a result of improved gross margin and cost management efforts. On December 9, 2020, the company announced the closing of the acquisition of substantially all of the assets of Lexaria Canpharm ("**Canpharm**"), the cannabis products division of Lexaria Biosciences, resulting in the addition of a new B2B Line of Business.

"This transformative transaction adds a wholly new operating line to our current alcohol free and cannabis infused beverage businesses: the licensing of DehydraTECH™ technology to companies around the globe," said Lori Senecal, Hill Street Interim Co-CEO. "The combination of these three businesses creates a vertically integrated, product value chain that leverages knowledge from our consumer lines with our new, patented ingredient line, to span from consumer to enterprise," added Hill Street Co-CEO Craig Binkley.

The Company Recorded its First Cannabis Revenues

With the Lexaria Biosciences transaction the Company acquired existing contracts to provide licenses for use of these patents by companies in Canada and the USA. With these contracts the company recorded its first cannabis revenues.

Hill Avenue Cannabis Beverages Continued Launch Preparations

The Company worked closely with its licensed production partner to address the regulatory requirements for the upcoming launch of its first cannabis infused beverages. The Notice of New Product Introduction to Health Canada was filed on December 31, 2020 beginning the sixty-day notice period. The Company anticipates its cannabis beverages will launch toward the end of the third quarter of fiscal 2021.

Progress Continued on Securing Cannabis License

The Company continued planning for its licensed cannabis operations at the Lucknow facility which is strategically located near Pearson Airport in Mississauga, Ontario. The Company worked to confirm the evolving regulatory and operational requirements for the facility as it sought to incorporate its new strategies and line of business, post-transaction.

Alcohol Free Business Increased Net Revenues Year Over Year

Coincident with driving its cannabis initiatives, Hill Street's legacy alcohol-free business showed growth in the quarter. Total Net Revenue increased by 8% versus the same quarter year ago, to \$745,748 from \$689,276. This was driven in part by increased online sales revenues of 166% versus the prior fiscal year quarter. The increase in revenues from online shopping is consistent with consumer purchasing patterns that have been reshaped by the pandemic across retail and foodservice channels. The online segment is now an important and measurable segment of the company's total business.

Although Hill Street's gross revenue declined 10% during the quarter to \$875,529 from \$973,710 versus a year ago, this was largely driven by COVID-19 related manufacturing delays that impacted overseas

supply partners and are expected to continue into the third quarter. Further, Hill Street eliminated a holiday gift pack promotion which typically provides a seasonal lift due to these same supply chain challenges.

Hill Street's CFO, Hinta Chambers stated, "Our attention to costs and our focus on the most profitable lines of business helped us improve gross margin and the bottom line. The new opportunities we are now able to pursue by leveraging the IP assets of Lexaria Canpharm will help further drive quality of margin through highly differentiated products as well as scale through expanded geographic scope".

Results of Operations

The following table summarizes certain financial information of the Company for the three months ended December 31, 2020 and the three months ended December 31, 2019.

Results for the Year Ended	Quarter Ended Dec. 31, 2020	Quarter Ended Dec. 31, 2019
Gross Revenue	\$875,529	\$973,710
Chargebacks and listing fees	(\$129,780)	(\$284,434)
Net Revenue	\$745,749	\$689,276
Direct Costs	\$363,840	\$395,228
Gross profit	\$381,909	\$294,048
Ordinary Operating Expenses	\$757,466	\$698,337
Other One-time Expenses	\$19,337	\$345,870
Non-Cash Expenses	\$88,891	\$107,600
Gain (Loss) before other Income	(\$483,785)	(\$857,759)
Other income (Expenses)		
Foreign exchange (loss) gain	(\$3,497)	(\$1,433)
Write-off of inventory	\$0	(\$23,466)
Gain on settlement of liability	\$6,730	\$0
Other Income	\$30	\$0
Income (Loss) and comprehensive Income (loss) for the period	(\$480,522)	(\$882,658)
Basic and diluted income (loss) per common share	(\$0.00)	(\$0.01)
Weighted average number of common shares outstanding	122,399,917	98,754,081

The Company lines of business now include:

Hill Street Alcohol Free Beverages - the legacy consumer marketing and distribution business which includes alcohol free beer and wine in Canada, and on a smaller scale, in the United States. It is sold in thousands of branded retail chain stores through Canadian distributors, and direct to consumer online at www.hillstreetbeverages.com

Hill Avenue Cannabis infused beverages - the imminent launch of cannabis infused consumer beverages under the Hill Avenue Cannabis brand.

Hill Avenue Cannabis Technologies - the licensing of patented Global Intellectual Property ("IP") for the DehydraTECH™ technology acquired from Lexaria Biosciences in December 2020.

Grant of Stock Options

The Company also announces that it has granted stock options to purchase 4,800,000 common shares of the Company at an exercise price of \$0.095 per share pursuant to the stock option plan of the Company. The options were granted to existing employees, officers and directors of the Company.

Annual General Meeting

The Company also announces that it will be holding its Annual General and Special Meeting of Shareholders ("**AGM**") on March 30, 2021 at 11:00 am. Due to COVID restrictions, the meeting will be a virtual meeting format only via webcast <https://meet.google.com/egy-fgpe-ofy>, or by conference call at +1 226-316-9330 (PIN: 312193366). Details of the matters to be considered at the AGM are specified in the notice of meeting and information circular that is being mailed to shareholders and which will be available on SEDAR.

Private Placement

The Company also announces that it has applied to the TSX Venture Exchange to extend the period to close its previously announced private placement of Units, at a price of \$0.08 per Unit. Each Unit is comprised of one (1) common share and one (1) warrant of the Company. Each Warrant will entitle the holder to purchase one (1) common share of the Company at a purchase price of \$0.11 per share for a period of three (3) years from the date of Closing. This extension is subject to the approval of the TSX Venture Exchange.

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

Hill Street Beverage Company is a leading and award-winning company focused on alcohol-free beer, wine, and adult-format beverages. **Hill Street's** brands include **Hill Street Craft Brewed Lager and Vin(Zero)**, and have won numerous medals and accolades around the world. **Hill Avenue Cannabis**, the Company's wholly-owned subsidiary, will produce and sell cannabis-infused adult beverages, manufacturing licenses, DehydraTECH powder infusions, and other cannabis products with expected availability at licensed outlets in 2021 and beyond. Check out **Hill Street's** award-winning line-up and order product to be delivered straight to your home at www.hillstreetbeverages.com.

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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.

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