

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Company**

Hill Street Beverage Company Inc.  
480 University Ave, Suite 1401  
Toronto, Ontario  
M5G 1V2

**Item 2. Date of Material Change**

December 9, 2020

**Item 3. News Release**

The news releases announcing the material change were released on November 18, 2020, and December 9, 2020, *through Canadian newswires and subsequently filed on the System for Electronic Document Analysis and Retrieval*. A copy of the press release is attached hereto.

**Item 4. Summary of Material Change**

On December 9, 2020, the Company completed the purchase of assets of Lexaria Canpharm ULC.

**Item 5.1. Full Description of Material Change**

For further information, please see the attached press release.

**Item 5.2. Disclosure of Restructuring Transactions**

Not applicable.

**Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102**

Confidentiality is not requested.

**Item 7. Omitted Information**

No information has been omitted in respect of the material change.

**Item 8. Executive Officer**

Terry Donnelly  
Terry@hillstreetbevco.com

**Item 9. Date of Report**

December 10, 2020

# Hill Street Announces Closing of Asset Acquisition of Lexaria Canpharm

Toronto, Ontario--(Newsfile Corp. - December 10, 2020) - **Hill Street Beverage Company Inc. (TSXV: BEER)** ("**Hill Street**" or the "Company") today announces that further to its press release dated November 18, 2020, it has closed the acquisition of the primary assets of **Lexaria Canpharm ULC**, the cannabis-related division of **Lexaria Bioscience Corp. ("Lexaria")**. This acquisition provides **Hill Street** with the exclusive rights in perpetuity to use **Lexaria's** ground-breaking **DehydraTECH™** patent portfolio on a global basis to make any type of non-pharmaceutical product containing 0.3% or greater THC and other psychoactive cannabinoids. In addition, the agreement expands **Hill Street's** license with **Lexaria Hemp Corp.** to make products containing CBD on a global basis for ten years.

**Hill Street** intends to begin commercializing the intellectual property earned from **Lexaria** immediately through both licensing and B2B sales of Cannabis 2.0 ingredients, as well as using the proprietary and breakthrough **DehydraTECH™** process in its own brands marketed under the Hill Avenue Cannabis name.

"We believe this acquisition positions us to become both the taste and experience leader in Cannabis 2.0 products," said Terry Donnelly, Chairman & CEO of **Hill Street**. "Our goal is to create products that consumers will love, and that provide all of the benefits and promise of the cannabis plant. This breakthrough technology gives us the ability to produce truly delicious and delightful experiences for consumers in any form of beverage or edible with rapid onset and more predictable duration."

"**Hill Street** has already proven they can shake up categories that are dominated by big mainstream brands, as they have in the alcohol-free beverage segment. We can't wait to see what they planned both in the near and long term for cannabis consumers with the full power of **DehydraTECH™** supporting them," said Chris Bunka, Chairman & CEO of **Lexaria**.

## Terms of the acquisition

- Total consideration of \$3.85 million, including \$350K in cash upon closing and a VTB Note of \$2.0 million.
- On Closing Hill Street issued Lexaria Bioscience \$500,000 worth of common shares of Hill Street at a price of \$0.0829 per share, which is equal to the 10-day volume weighted average closing price of the Common Shares on the TSX Venture Exchange on the date the transaction was announced. Hill Street will issue Lexaria a further \$1,000,000 worth of common shares on the eight and sixteen month anniversaries of closing, at the greater of (A) the 10-day volume weighted average closing price of the Common Shares on the TSX Venture Exchange on such payment date; and (B) \$0.085 per share, being the closing price of the Hill Street Shares on the date the transaction was announced.
- The VTB Note shall accrue interest at the rate of 10% per annum, has no fixed maturity date and is repayable based on a percentage of quarterly sales earned by Hill Street from cannabis infused product sold by Hill Street or its licences utilizing the acquired technology.

## 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, Vin(Zero)** and **Vintense** wines, 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 and other cannabis products with expected distribution at licensed outlets in 2020. Check out **Hill Street's** award-winning line-up and order products to be delivered straight to your home at [www.hillstreetbeverages.com](http://www.hillstreetbeverages.com).

## **Cannabis-infused Adult Beverages**

In October 2020, **Hill Street** announced the launch of its **Hill Avenue Cannabis (V)ia** Beverages brand, to be manufactured in a partnership with **Molecule Inc.**, a licensed producer of cannabis beverages. The Company anticipates that these beverages will be available through licensed cannabis retailers in Ontario in December 2020, with a planned roll out to major markets nationally in 2021. The Company continues to explore the development of additional Cannabis 2.0 products which would be accretive to its business.

## **About Lexaria Bioscience Corp.**

Lexaria Bioscience Corp.'s proprietary drug delivery technology, DehydraTECH™, improves the way active pharmaceutical ingredients (APIs) enter the bloodstream by promoting healthier oral ingestion methods and increasing the effectiveness of fat-soluble active molecules, thereby lowering overall dosing. The Company's technology can be applied to many different ingestible product formats, including foods, beverages, oral suspensions, tablets, and capsules. DehydraTECH increases bio-absorption by up to 5-10x, reduces time of onset from 1 - 2 hours to minutes, and masks unwanted tastes for orally administered bioactive molecules, including anti-virals, cannabinoids, vitamins, non-steroidal anti-inflammatory drugs (NSAIDs), nicotine, and other molecules. Lexaria has licensed DehydraTECH to multiple companies including a world-leading tobacco producer for the development of smokeless, oral-based nicotine products and for use in industries that produce cannabinoid beverages, edibles, and oral products. Lexaria operates a licensed in-house research laboratory and holds a robust intellectual property portfolio with 18 patents granted and approximately 60 patents pending worldwide. For more information, please visit [www.lexariabioscience.com](http://www.lexariabioscience.com).

For further information:

Terry Donnelly, Chairman and CEO, Hill Street Beverage Company Inc.,  
[terry@hillstreetbevco.com](mailto:terry@hillstreetbevco.com), (416) 543-4904;

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and on Facebook <http://facebook.com/hillstreetbevco>

## **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", "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 the Canadian Securities Exchange nor their respective***

**Regulation Services Providers (as that term is defined in policies of the TSX Venture Exchange and other policies) accepts responsibility for the adequacy or accuracy of this release.**

***Not for dissemination in the United States of America.***



To view the source version of this press release, please visit  
<https://www.newsfilecorp.com/release/69969>

# Hill Street Announces Definitive Agreement to Acquire Assets of Lexaria Canpharm, and Closing of Private Placement

## Companies to continue both operational and research partnership for ten years

Toronto, Ontario--(Newsfile Corp. - November 18, 2020) - **Hill Street Beverage Company Inc. (TSXV: BEER)** ("**Hill Street**" or the "Company") today announces it has signed a definitive agreement to acquire the primary assets of **Lexaria Canpharm**, the cannabis-related division of **Lexaria Bioscience Inc. (CSE: LXX)**. This acquisition provides **Hill Street** with the exclusive rights in perpetuity to use **Lexaria's** ground-breaking **DehydraTECH™** patent portfolio on a global basis to make any type of products containing THC and other psychoactive cannabinoids. In addition, the agreement expands **Hill Street's** license with **Lexaria HempCo** to make products containing CBD on a global basis for ten years.

### Terms of the acquisition

- *Total consideration of \$3.85 million, including \$350K in cash upon closing and future payments of \$2.0 million.*
- ***Hill Street** will issue **Lexaria Bioscience** a total of \$1.5MM worth of Common Shares in the capital of the Company in three equal installments with the first tranche issuable on closing. The first tranche will be issued at a price of \$0.0829 per share, which is equal to the 10-day volume weighted average closing price of the Common Shares on the TSX Venture Exchange on the date hereof. All successive issuances shall be issued at the greater of (A) the 10-day volume weighted average closing price of the Common Shares on the TSX Venture Exchange on such payment date; and (B) \$0.0829;*

With over sixty patents for **DehydraTECH™** either issued or pending, this transaction positions **Hill Street** to expand its strategy of producing ingredients for Cannabis 2.0 products, allowing the Company to take advantage of growing demand for "quick onset and duration" recreational cannabis edibles and topicals. This transaction will allow **Hill Street** to expand its addressable market to every country in the world where cannabis is either medicinally or recreationally legal. **Lexaria's** Intellectual Property converts perishable cannabis products such as oils and extracts into shelf stable powders. **Hill Street** will manufacture these powders for sale to licensed cannabis processors at its own facility as well as sub-license the technology to licensed manufacturers globally. Shelf stable cannabis powders are the ideal ingredients upon which to build world class Cannabis 2.0 brands, including beverages, edibles, and topicals. The **DehydraTECH™** processes are well researched, market validated, and well protected through multiple patents, and will continue to improve as Lexaria continues its research.

Completion of the transaction is subject to the approval of the TSX Venture Exchange.

"With this transaction, we are building on an already strong partnership with **Lexaria**. We are gaining full ownership of the joint manufacturing partnership we created last year, and positioning **Hill Street** to become an early leader in the global market for cannabis 2.0 ingredients and products. Our cannabis processing facility is designed specifically to produce shelf stable ingredients using **DehydraTECH™** for the Cannabis 2.0 market," said Terry Donnelly, Chairman & CEO of **Hill Street**. "With a significant portion of the consideration in shares and future payments, this transaction demonstrates **Lexaria's** faith

in **Hill Street** to unlock the value of their innovations for their shareholders based on our success."

"**Hill Street's** team is executing a new and exciting strategy in the cannabis sector, designed to take advantage of the Cannabis 2.0 market and enhanced consumer expectations," stated Chris Bunka, Chairman & CEO of **Lexaria Bioscience**. "Their deep expertise in consumer goods will allow consumers to experience **Lexaria's** innovations through the highest performance products available in the Cannabis 2.0 sector. **Lexaria's** focus remains on creating the greatest innovations possible in drug delivery in the diverse sectors of nicotine, cannabinoids, and antivirals for both the therapeutic and pharmaceutical industries. Innovations in drug delivery in the pharmaceutical industry represents a massive global opportunity for **Lexaria**, and this transaction with **Hill Street** assists our ability to focus, while providing our shareholders with a significant carried interest in a fast growing startup well positioned for success in the cannabis 2.0 market."

### **Ongoing Relationship with Lexaria Bioscience**

**Hill Street** will continue to partner with **Lexaria Biosciences** in certain markets for Cannabis 2.0 products using **Lexaria's** patented **DehydraTECH™** process by providing a license back to **Lexaria** to produce therapeutic and medicinal products containing THC. Upon full payment of the consideration for the transaction, **Hill Street** will earn royalties from the sales of **Lexaria's** products using the **Canpharm** licenses. Further, **Hill Street** will continue to have access to **Lexaria's** leading edge research capabilities into the use of **DehydraTECH™** with cannabinoid products. The **DehydraTECH™** processes provide for rapid onset and offset of the effects of cannabinoids and allows manufacturers to create shelf stable products from cannabis extracts. **Hill Street** has begun development of a facility in Mississauga where the cannabis ingredients will be manufactured. The Company expects the facility to be operational in 2021, pending Health Canada and other regulatory approvals.

### **Completion of Private Placement**

The Company also announces that it has completed its previously announced non-brokered private placement of units ("**Units**"), for aggregate gross proceeds of \$850,950. Each Unit was issued at a price of \$0.05 and is comprised of one common share, and one whole warrant ("**Warrant**"), with each warrant entitling the holder to acquire one Common Share at an exercise price of \$0.13 for a period of two years from the date of closing, subject to acceleration. In connection with the private placement the Company paid finders fees of \$2,000 to Jamie Salter, \$2,025 to Victor Godinho, both arm's length parties to the Company.

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### **Cannabis-infused Adult Beverages**

In October 2020, **Hill Street** announced the launch of its (**V**)ia **SPRIZA** Cannabis Infused Beverages brand, to be manufactured in a partnership with **Molecule Inc.**, a licensed producer of cannabis beverages. The Company anticipates that these beverages will be available through licensed cannabis retailers in Ontario in December 2020, with a planned roll out to major markets nationally in 2021. The Company continues to explore the development of additional Cannabis 2.0 products which would be

accretive to its business.

For further information:

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