

**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

November 18, 2020

Item 3. News Release

The news releases announcing the material change were released on November 18, 2020, and December 1, 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

The Company entered into an asset purchase agreement with Lexaria Canpharm ULC to purchase certain of its assets. The Company also completed a non-brokered private placement for gross proceeds of \$850,950, with participation from certain insiders of the Company.

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

Hinta Chambers
Hinta@hillstreetbevco.com

Item 9. Date of Report

December 1, 2020

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.

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 product to be delivered straight to your home at www.hillstreetbeverages.com.

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:

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

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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.

Not for dissemination in the United States of America.

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.



To view the source version of this press release, please visit
<https://www.newsfilecorp.com/release/68548>

Hill Street Reports FY21 First Quarter Results and Provides Update on Operations

Toronto, Ontario--(Newsfile Corp. - December 1, 2020) - **Hill Street Beverage Company Inc. (TSXV: BEER)** ("**Hill Street**" or the "Company") reported its first quarter results for period ended Sept 30, 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.

FY21 First Quarter Financial Highlights

- *Net income improvement of \$1.050 million, up 69% y/y;*
- *Gross revenue of \$0.384 million, down 25% y/y, owing to impact of the pandemic on the company's supply chain;*
- *Expense reduction of 55% y/y, due to the company's focus on containing costs and reducing overhead;*
- *Net loss of \$.485 million, vs \$1.545 million in the prior year.*

"The first quarter of FY21 presented both great challenges and great progress for our Company," said Terry Donnelly, Chairman & CEO of **Hill Street**. "Hill Street executed very well in the face of the very significant issues we were facing in our supply chain, including an inability to acquire inventory due to pandemic related challenges with various suppliers we rely on, as well as significant delays in licensing the premises and commissioning of the manufacturing equipment of our cannabis copackers. These significant challenges were met head on by our team, who made difficult but prudent decisions to conserve cash, focus on the sales channels and products that deliver the highest margins, and keep making progress toward the launch of new cannabis product portfolio. During the quarter and subsequent to it, we were able to complete very complex, challenging, and transformative deals with both Molecule and Lexaria, and complete a private placement for approximately \$850K which will position our Company very well for growth in 2021 and beyond."

"Hill Street's alcohol-free brands are now the gold standard in the Canadian Retail landscape, gaining both market share and accolades from our consumers. The challenges in our supply chain were clearly felt during this quarter, but we believe we have turned a corner with our suppliers, and that we are well positioned for the future," stated June Nicholson, Chief Operating Officer of **Hill Street**. "Our focus in 2021 will be to significantly grow our online presence in the large US market for alcohol free beverages, and to build our reputation as the taste and experience leader in beverages and other cannabis 2.0 products, based on our patented technology recently acquired from Lexaria Canpharm."

Hill Street's CFO, Hinta Chambers stated, "We have continued to maintain our strong focus on conserving cash, reducing expenses where possible, and investing only in product segments and markets that will deliver the highest returns. Our recently announced acquisition of the assets of Lexaria Canpharm will provide us with significantly differentiated products that we believe will deliver both healthy margins and value for consumers, and help to solidify our company as a leader in the nascent Cannabis 2.0 market both in Canada and internationally."

RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the three months ended September 30th, 2020 and the three months ended September 30th, 2019.

Results for the Year Ended	Quarter Ended Sept 30, 2020	Quarter Ended Sept 30, 2019
Gross Revenue	\$ 384,450	\$ 513,766
Chargebacks and listing fees	\$ (109,738)	\$ (184,327)
Net Revenue	\$ 274,712	\$ 329,439
Direct Costs	\$ 128,706	\$ 152,036
Gross profit	\$ 146,006	\$ 177,403
Ordinary Operating Expenses	\$ 450,720	\$ 1,002,158
Other One-time Expenses	\$ 4,500	\$ 545,850
Non-Cash Expenses	\$ 166,621	\$ 154,982
Gain (Loss) before other income	\$ (475,835)	\$ (1,525,587)
Other income (Expenses)		
Foreign exchange (loss) gain	1,517	\$ (2,324)
Write-off of inventory	\$ (1,535)	\$ 0
Write-off of intangibles	\$ 0	\$ (8,000)
Charges relating to public company listing	\$ 0	\$ 0
Other Income	\$ 0	\$ 0
Income (Loss) and comprehensive income (loss) for the period	\$ (475,853)	\$ (1,545,911)
Basic and diluted income (loss) per common share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	112,085,463	96,845,070

The Company presently has two business segments, the marketing and distribution of **Hill Street** branded alcohol-free beer and wine via online and retail in Canada and the USA, and the pending launch of cannabis beverages under the **Hill Avenue Cannabis** brand through licensed copackers. **Hill Street** sells its products online and through roughly 8,000 points of distribution in grocery and drug stores in Canada.

Acquisition of Assets from Lexaria Canpharm

Subsequent to the quarter, **Hill Street** signed a definitive agreement with **Lexaria Bioscience** to acquire the primary assets of **Lexaria Canpharm**, the sole licensee of the patents associated with the breakthrough **DehydraTECH** drug delivery process for use in products containing greater than 0.3% THC, commonly known otherwise as Cannabis 2.0 products. **Lexaria's** process has over 60 patents either issued or pending. The process provides for rapid onset and offset of the effects of cannabis, as well as provides the potential to create shelf stable products made from cannabis extracts. The Company is currently awaiting approval from The Toronto Stock Exchange to close the transaction. **Hill Street** has begun development of a facility in Mississauga where cannabis ingredients and consumer products will be manufactured. The Company expects the facility to be operational in 2021, pending Health Canada approval.

Private Placement

Subsequent to the quarter, the Company completed a private placement for gross proceeds of \$850,950, which included participation from Kevin Ruddle, a director of the Company, for \$350,000, Hinta Chambers, the Chief Financial Officer of the Company for \$17,500, and Reuban Nadesan, Director of Strategy and Partnerships of the Company, for \$6,000.

Cannabis-infused Adult Beverages

In October 2020, the Company 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.

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For further information:

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(V)ia SPRIZA sample packaging

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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.

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