

**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

May 4, 2020

Item 3. News Release

The news releases announcing the material change were released on May 4, 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 Corporation completed a private placement of convertible debentures for aggregate proceeds of \$1,022,500, granted 3,740,000 in stock options, and issued 1,729,030 common shares in the capital of the Company to satisfy certain debt obligations at a deemed price per share of approximately \$0.08.

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

May 8, 2020



HILL STREET ANNOUNCES \$1.0MM FINANCING AND PROVIDES BUSINESS UPDATE

Toronto, Ontario, May 4, 2020 - Hill Street Beverage Company Inc. ("Hill Street" or the "Company") (TSXV:BEER), is pleased to announce it has closed a non-brokered private placement financing of units ("Units") for gross proceeds of \$1,022,500 at a price of \$1.00 per Unit. Each Unit is comprised of \$1.00 principal amount of secured convertible debentures ("Convertible Debentures") and 20 common share purchase warrants (each whole warrant a "Warrant").

The principal amount of the Convertible Debenture will mature two years from the date of issuance ("Maturity Date"), and may, at the option of the holder, be convertible at any time prior to maturity into common shares in the capital of the Company at a conversion price of \$0.05 per share for the first year of the term and \$0.10 thereafter ("Conversion Price"). The Company may accelerate the Maturity Date and elect to convert all or any part of the principal amount into Common Shares at the Conversion Price if the volume weighted average price of the Common Shares on the TSX-V is \$0.12 for a period of twenty (20) consecutive days at any time during the term of the Convertible Debentures. Each Warrant will entitle the holder thereof to purchase one common share in the capital of the Company at a price of CDN\$0.05 per share for a period of two years from the date of issuance, subject to acceleration in the event that the volume weighted average trading price of the Common Shares on the TSX Venture Exchange (or such other exchange or quotation system on which the Common Shares are listed or quoted) is greater than or equal to CDN\$0.12 for a period of twenty (20) consecutive days. The principal shall accrue interest at the rate 6% per annum, calculated and payable semi annually.

The principal subscribers in the financing were HoldCo St Catharines Ltd., the Company's largest shareholder and Terry Donnelly the CEO of the Company. As such the offering is considered a related party transaction pursuant to Multilateral Instrument 61-101 of the Canadian Securities Administrators ("MI 61-101"). Accordingly, the Company is relying on the provisions of Section 5.5(c) and Section 5.7(a) of MI 61-101, for an exemption from the formal valuation and minority approval requirements of set out therein. The proceeds of the financing will be used to fund day to day operations, and general working capital purposes.

Hill Street Chairman & CEO, Terry Donnelly, stated, "We believe this financing demonstrates the confidence our leadership team and board have in the Company's plans and ability to execute on our vision. In spite of some of the most difficult and challenging economic conditions the world has ever seen, the Company continues to make progress towards the planned launch of cannabis infused products for both the consumer and business markets based on its Joint Manufacturing Partnership with Lexaria Bioscience. Our team has taken these challenges in stride, continues to operate the alcohol-free beverages business effectively, delivering superior customer service and care, and is working with our sales, distribution, and supply chain partners to ensure we are able to provide our products to both online and retail customers."

Hill Street's Chief Financial Officer, Hinta Chambers, commented, "We have taken prudent measures to ensure we are able to continue to operate our current business, and this financing will give us the additional resources we need to launch our infused product portfolio."

The Company's early investments in ecommerce are starting to bear fruit as the large US market for alcohol free products becomes aware of Hill Street's world class products. Online orders to the US are up dramatically since the pandemic restrictions came into effect, with the Company posting record daily sales online in recent weeks. The average order size is up significantly, and the average number of daily orders continues to climb as consumers seek alternatives to alcohol and become more comfortable with online commerce for beverages. While the growth in this category is not sufficient to address the expected decline in domestic retail markets due to Covid-19, the Company believes in due course that ecommerce sales to the US market will help to drive demand for its alcohol-free products with major US retailers, a market the Company has not yet focused on.

Hill Street has been an advocate for healthier alternatives to alcohol since its launch in 2008, gaining distribution in retail stores accounting for over two thirds of all grocery sales in Canada. Its award-winning beverages have been featured in national media, and the company has presented its vision for alcohol-free and cannabis infused beverages at conferences around the world during the past three years. The Company is the co-founder of the Cannabis Beverage Producers' Alliance, which advocates for fair and just legislation for beverages including THC and CBD. Hill Street is currently preparing to launch a portfolio of cannabis products including infused beverages, powdered cannabis products such as drink mixes and compressed tablets, and ingredients for manufacturing of premium Cannabis 2.0 products.

Grant of Stock Options

The Company also announces that it has granted options to purchase 3,740,000 common shares of the Company at an exercise price of \$0.05 per share pursuant to the stock option plan of the Company. The options were granted to existing employees, officers, directors and consultants of the Company.

Share For Debt

The Company also announces that in connection with certain amounts owing to former senior officers of the Company for severance, in an effort to preserve cashflows, the Company intends to issue up to 1,729,030 common shares in the capital of the Company to satisfy such obligations. The shares will be issued at a deemed price per share of approximately \$0.08.

About Hill Street Beverage Company Inc. (TSX-V:BEER)

Hill Street Beverage Company is the world's most award-winning company exclusively 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 Street will also 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.

For further information:

Terry Donnelly, Chairman and CEO, Hill Street Beverage Company Inc.,
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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.

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