

**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 28, 2019

Item 3. News Release

The news releases announcing the material change were released on May 28, 2019, 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 has entered into a binding letter of intent to acquire One Leaf Holding Corp., the parent company of OneLeaf Cannabis Corp.

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

June 4, 2019

Hill Street Announces Acquisition of OneLeaf Cannabis

TORONTO, May 28, 2019 /CNW/ - Hill Street Beverage Company Inc. ("**Hill Street**" or the "**Company**") (TSX-V: BEER), is pleased to announce that it has signed a binding Letter of Intent to acquire OneLeaf Holding Corp. ("**OneLeaf**"), the parent company of OneLeaf Cannabis Corp., an "evidence package" stage applicant to become a licensed cannabis cultivator and processor, in an all share transaction. The Company also announces a proposed non-brokered private placement of units for gross proceeds of up to \$5 million.

"Transaction Positions Hill Street to become a Leading Producer of Infused Beverages"

Both Hill Street and OneLeaf believe that cannabis beverages will expand consumption of cannabis beyond just the consumer base willing to smoke or vape products. By combining Hill Street's award-winning alcohol-free beverages with OneLeaf's access to an award-winning and unique catalogue of cannabis genetics, the combined company will have the ability to become a leader in the infused beverages market, in addition to offering differentiated traditional cannabis products.

"The OneLeaf team has built a world class, 48,200 square foot facility, built to EU GMP standards, that will house growing, extraction, and infusion. It will house the infusion, bottling, and canning of our beverages under one roof. Their catalogue of over 700 distinct cannabis cultivars, which have been collected and cultivated by the founders, includes a collection of Cannabis Cup award-winning cultivars and a diverse selection of landrace varieties. We anticipate that OneLeaf's elite genetics, which include many cultivars not legally available anywhere else, will pair perfectly with our beverages to provide unique attributes and experiences for our consumers," said Terry Donnelly, Hill Street's Chairman and CEO. "We believe the integration of OneLeaf and Hill Street will make for a powerful force in the market, and positions Hill Street to become a leading producer of infused beverages and other cannabis products."

"Hill Street's beverages have already set themselves apart on the world stage," said Trevor Green, CEO of OneLeaf. "No other alcohol-free beer and wine producer has won as many major world championship competitions as Hill Street. With a complete portfolio of beverages ready for infusion, plus their demonstrated expertise in private label and branded beverages, we believe the OneLeaf facility will become a landmark in the industry, and the source of the finest cannabis infused beverages and other cannabis products in the market. With our world class cultivation and extraction capabilities, we will be able to produce unique cannabis cultivars to match both beverage and cannabis consumption occasions and experiences, whether they are adult format, nutraceutical, sport-recovery, wellness, or even prescription drug products."

Cannabis beverages are the fastest growing segment of the market in US states where they are legal, according to Headset/Nielsen, growing at up to 61% in the past year. Each of Hill Street and OneLeaf believe there is a significant opportunity to grow their brands, as well as provide co-packing services to many companies wishing to enter the cannabis beverage market but who do not wish to operate their own packaging and production facilities. This includes major multinational beverage companies, international cannabis companies looking to enter the highly regulated Canadian market, and licensed producers looking to produce beverages using their own cannabis extracts.

The parties believe beverage-format products can also be a new, differentiated delivery system for cannabis-derived precision medicines and therapies, allowing consumers and patients the ability to

consume cannabis-derived products in public and social settings. The addition of Hill Street's demonstrated beverage expertise will help differentiate OneLeaf's existing product roadmap, which includes traditional cannabis products such as dried flower products, oils, edibles, and extracts.

Operations to Be Housed at the OneLeaf Facility

Hill Street anticipates that the entire OneLeaf team, including regulatory lawyers, a plant geneticist and biochemist, and experienced cultivation, extraction and quality assurance personnel, will join the Hill Street organization. Hill Street's production lines will be installed at OneLeaf's 48,200 square foot facility which is strategically located near the Global Transportation Hub in Regina, Saskatchewan, a tax advantageous location providing easy access to both North American and foreign markets.

The beverage production lines will have a projected output capacity capable of producing over 300,000 cases of infused wine and beer with expansion to be added as additional planned facilities become licensed under Health Canada. OneLeaf has output capacity in its existing and planned flowering rooms for 1800kgs of cannabis annually, plus up to 6.5 acres available for expansion on surrounding lands including outdoor growing capabilities.

Terms of the Acquisition

Pursuant to a Letter of Intent, dated May 27, 2019, Hill Street will acquire all of the issued and outstanding shares of OneLeaf for a purchase price of \$16,000,000 to be paid and satisfied as follows:

- \$8 million in common shares in the capital of Hill Street ("**Hill Street Common Shares**") on the closing date at a price per share of \$0.23. The vendors have agreed to escrow 50% of the shares issued on closing for a period of four months from the date of closing.
- \$8 million in Hill Street Common Shares, in three quarterly instalments over the eighteen months following the closing date, at a price per share equal to \$0.43 per share or the volume weighted average price ten days prior to issuance, with a price maximum of \$0.66, \$0.75 and \$0.85 per share for each installment respectively.
- 26,693,630 warrants purchase Hill Street Common Shares, which will be issued on closing, with each warrant entitling the holder thereof to acquire one Hill Street Common Share at a price per share equal to \$0.66, for a period of five years from the date of closing. The warrants shall be subject to vesting conditions related to OneLeaf achieving certain performance-based milestones following closing, including minimum cultivation targets, revenue thresholds, receipt of a federal medical sales license, and the successful completion of an EU-GMP audit of the OneLeaf facility.
- Hill Street will also assume up to \$5.5 million in debt related to the construction of the OneLeaf facility.

The transaction is an "arm's length transaction", and is subject to the parties entering into a definitive share purchase agreement, customary due diligence, and regulatory approvals, including Health Canada and the TSX Venture Exchange. It is slated to close upon the issuance of a cultivation and standard processing license to OneLeaf by Health Canada, which is anticipated to occur within the next four months. The parties do not anticipate the closing of the acquisition will create a new control person in the Company. No finders fees are payable in connection with the transaction.

Proposed Non-Brokered Financing

In addition to the acquisition of OneLeaf, Hill Street announces a proposed non-brokered private placement of units ("**Units**") for aggregate gross proceeds of up to \$5 Million, at a price of \$0.20 per Unit. Each Unit will be comprised of one (1) Hill Street Common Share and one-half of one (1/2) warrant (each whole warrant a "**Warrant**"), with each Warrant entitling the holder thereof to acquire

one (1) Hill Street Common Share at a price of \$0.40 per share for a period of two (2) years from the date of Closing. The private placement is slated to close in tranches, with the first tranche to close on or before June 15, 2019, and is subject to the approval of the TSX Venture Exchange. The proceeds of the financing will be used to fund day to day operations, and general working capital purposes.

About OneLeaf Cannabis Corp.

[OneLeaf Cannabis Corp.](#) is a privately-owned craft-inspired cannabis cultivation and processing company based in Regina, Saskatchewan. OneLeaf has constructed a 48,200 square foot facility purpose built to EU GMP standards that incorporates vertical farming, LED lighting and advanced HVAC and automation systems. Phase 1 of OneLeaf's facility, which is substantially complete and in preparation to complete its evidence package, is comprised of approximately 17,000 square feet. Upon licensing, OneLeaf will own a vast collection of unique cannabis genetics with differentiated attributes and properties, and intend to research and develop consumer, medical, and therapeutic products based on the diverse cannabinoid content found within its collection. OneLeaf's cultivation team has won multiple Cannabis Cups and is focused on producing exceptional quality product for the premium consumer and medical marketplaces.

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 great-tasting products include Hill Street Craft Brewed Lager, Designated Draft alcohol-free beer, Vin(Zero) wines, and Vintense wines, and have won numerous medals and accolades including three Gold, two Silver, and two Bronze Medals at the U.S. Open Beer Championships, the Retail Council of Canada's Grand Prix award, and a prestigious Double Gold Medal at the San Francisco International Wine Challenge. Hill Street will also produce and sell cannabis-infused adult beverages as soon as the sale of cannabis edibles becomes legal in Canada, expected to occur by October 17, 2019. Check out Hill Street's award-winning line-up and order product to be delivered straight to your home at www.hillstreetbeverages.com.

Follow Hill Street on Facebook (<http://facebook.com/hillstreetbevco>), Instagram (<https://www.instagram.com/hillstreetbevco/>), and Twitter (<https://twitter.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 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.

SOURCE Hill Street Beverage Co.

View original content to download multimedia:

<http://www.newswire.ca/en/releases/archive/May2019/28/c9952.html>

%SEDAR: 00039143E

For further information: Press only: Terry Donnelly, Chairman and CEO, Hill Street Beverage Company Inc., terry@hillstreetbevco.com, (416) 543-4904; Investors: Sean Peasgood, Investor Relations, sean@sophiccapital.com, (647) 797-0219

CO: Hill Street Beverage Co.

CNW 10:40e 28-MAY-19