

Hill Street Provides Update Letter From The CEO to Shareholders

Toronto, Ontario--(Newsfile Corp. - April 5, 2022) - Hill Street Beverage Company Inc. (TSXV: HILL) ("**Hill Street**", or the "**Company**"), is pleased to provide a letter from CEO, Craig Binkley with an analysis of the Company's historical financials and update to all shareholders.

Dear Shareholders,

We would first like to thank all our shareholders for their support of Hill Street. Whether you're a long-term investor or someone who's joined us more recently, we recognize how important you are to our mission. Hill Street has come a long way from its original Canadian 'MADD Virgin Drinks' heritage to our current three-business revenue model, focused on the intersection of craft, premium consumer products and bioscience.

Last week, we completed Q3 of our fiscal year 2022 - my first official quarter since I became the full-time CEO in January 2022. Our team has been working aggressively against the growth agenda and business strategies that were laid out in the AGM at the beginning of last month. If you have not had a chance to review the materials from the AGM, I encourage you to access them here for an update:

<https://hillstreetbeverages.com/wp-content/uploads/2022/03/2022-AGM-Deck-Website-2.pdf>.

Our Q3 results will be available to the public near the end of May 2022, however, we wanted to take this opportunity to provide a more holistic perspective on the health of the business over time. All financial information included herein is historic and includes financial information for the Company up to and including December 31, 2021.

Hill Street Trailing 12-Month Metrics Tell a Strong Growth Story

Our financial results over time provide the best key metrics with which to begin an analysis because of the more recent impact of the DehydraTECH™ licensing and (V)ia Regal cannabis-infused beverage businesses beginning in fiscal year 2021. Additionally, significant quarterly variations in the alcohol-free beverage business due to seasonality and global supply chain issues have impacted inventory levels and created shifts in quarterly performance.

Graph 1 shows the consolidated quarterly trailing 12-month figures (TTM) for net revenue and gross profit from September 2019 to December 2021, which represents the period from Q1 FY 2020 through Q2 FY 2022. The figures above each line represent the change vs. prior year. Additionally, the figures in the green boxes represent the gross profit margin expressed as a % of net revenue.



Graph 1

To view an enhanced version of Graph 1, please visit:

https://orders.newsfilecorp.com/files/5205/119315_d5e0386c442bbaad_001full.jpg.

As you can see, the financial results for Hill Street have been strong for the past seven quarters. Net revenues have been continuously increasing between 24% - 53% vs. the prior year and gross profit has been even stronger at +52% to +131%. The last quarter ending December 31, 2021 shows moderated growth on the trendlines due to the comparison to the extraordinary Q2 of the prior year, yet still shows 32% growth in net revenue and 52% growth in gross profit. For more on this Q2 FY 2022 to Q2 FY 2021 comparison, please refer to the Company's Q2 FY 2022 Management Discussion and Analysis available on SEDAR. As we've noted in previous communications, the dramatic growth in net revenue and gross profit dollars is accompanied by a strong improvement in our gross profit margins - which increased as a percentage of net revenue from a low of 31% in fiscal year 2020 to over 50% in the past three quarters.

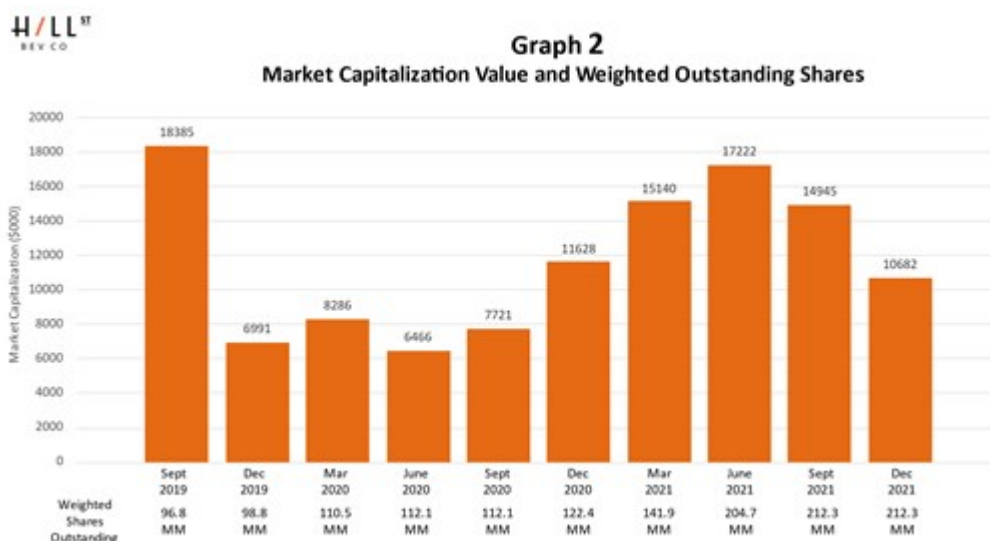
The significant focus we have made every day to drive the business forward is showing impressive results, and we have a very positive outlook for our opportunities and the positive contribution they will make to the business. We are just beginning to see the impact of our DehydraTECH™ licensing expansions in the US on our revenue numbers and the impact of those revenues on our margins. As we have communicated before, our DehydraTECH™ business has fundamentally transformed our overall business financially, operationally, and geographically. We now have DehydraTECH™ licensees operating in US states with a combined population of 86 million people and annual cannabis sales of over \$14 billion USD, and we are working on adding multiple additional states.

Market Capitalization Has Not Grown Proportionately to the Company's Strong Business Growth

Given the strength of the business results over a consistent period, we can compare them to the market capitalization^[1] (valuation) trends of the Company. The outstanding share count of the Company increased over the past several years, as new share and warrant issuances were made to finance the Company. Additionally, a significant number of the Company's shares were issued as consideration to Lexaria Bioscience Corp. ("**Lexaria**") for the DehydraTECH™ asset acquisition transaction. This increase in the outstanding share count has brought in numerous new investors at varying cost bases.

Using a reference point of the last ten quarters as shown in Graph 1, in Graph 2 we see the

corresponding market capitalization and weighted outstanding shares for the same period. At September 30, 2019, there were approximately 97 million shares issued and outstanding and at the most recent quarter ended December 31, 2021, this has grown to over 212 million. The market capitalization shown is the approximate value of the Company at the end of the respective period and is based on the daily share price (weighted by trading volume) and the average number of shares outstanding for that quarter.

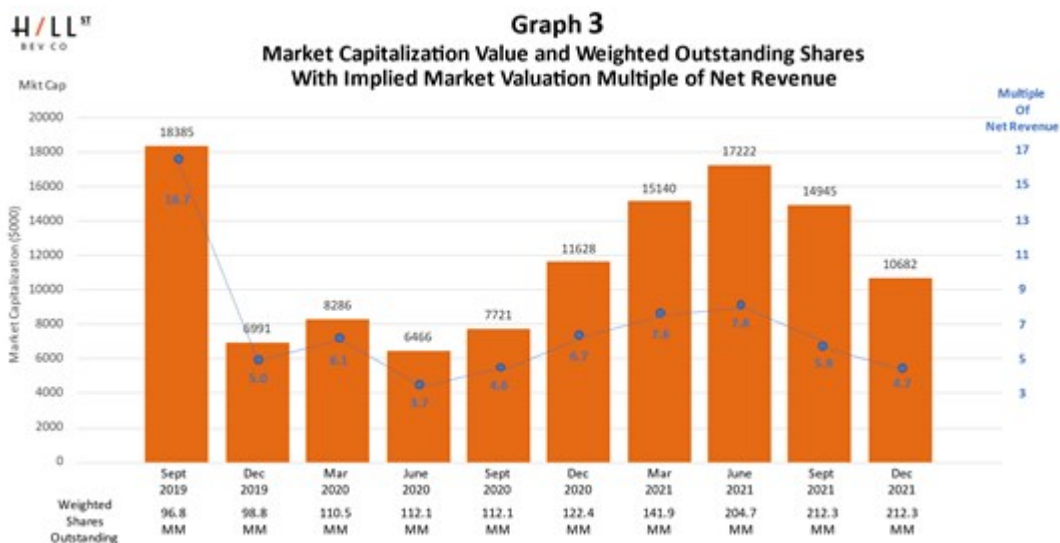


Graph 2

To view an enhanced version of Graph 2, please visit:

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In Graph 3 we have overlaid another key indicator to illustrate the insight into the relationship between the 12-month financial performance and the market capitalization, with the valuation of Hill Street represented as a multiple of net revenue^[2]. The graph shows the implied multiple of net revenue over time in blue, based on the approximate quarterly market cap and the trailing 12-month financials for that quarter.

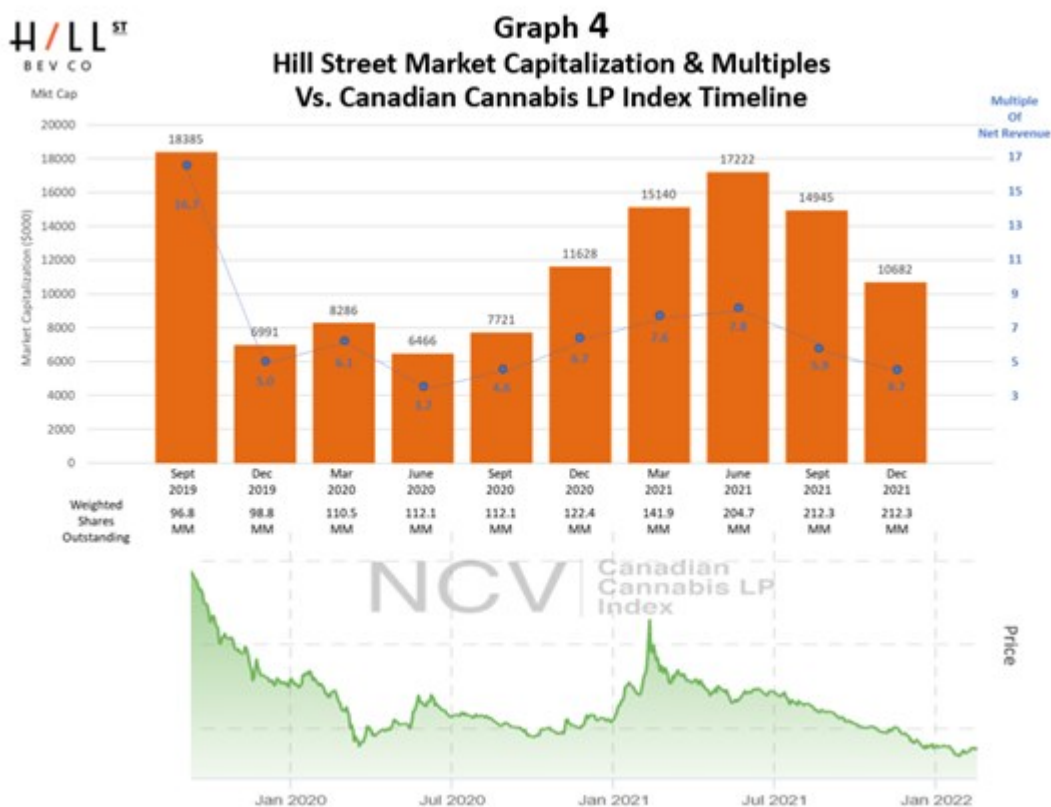


Graph 3

To view an enhanced version of this graphic, please visit:
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For some context on market multiples, in 2019, the overall cannabis market had higher valuations and many companies such as Hill Street were still at that time pre-revenue cannabis companies, with cannabis edibles only becoming legal in Canada in October 2019. Hill Street was, in fact, generating \$1,280,200 in net revenues solely from its alcohol-free beverage business for fiscal year 2019 ending June 30, 2019. However, the 34% gross margin was well below the 52% margin that we've generated in our last two quarters (Q1 and Q2 FY2022). A lot of attention in 2019 was being given to future potential and the markets then corrected substantially through the first quarter of calendar year 2020.

To illustrate the sector-wide trend, Graph 4 adds the performance of the Canadian Cannabis LP Index^[3] to the Hill Street market capitalization and implied multiples of net revenue over the same time period. The pattern is clear when looking side-by-side at the trends of Hill Street vs. the index which include twenty-four well-known companies in the Canadian cannabis space.



Graph 4

To view an enhanced version of Graph 4, please visit:
https://orders.newsfilecorp.com/files/5205/119315_d5e0386c442bbaad_004full.jpg.

We continue to believe in the strength of the new business strategies and ongoing development of new revenue streams with DehydraTECH™ licensing added to our beverage businesses. Our financial performance and key metrics of the business have improved substantially, and we are expanding geographically on the early success of DehydraTECH™ licensing with multiple licensees.

Beyond the improvement in the key financial metrics shown here, the balance sheet is also dramatically stronger than it has been over the past several years. For the period ended December 31, 2021, working capital improved to \$1.655M compared to \$0.292M the year prior. In addition, for the same period, the debt-to-equity ratio improved considerably, reducing from 3.3 to 0.98 with the conversion of the outstanding convertible debt during the quarter ended December 31, 2021.

Our View of the Company's Future

Net, we believe that the Company, the financial performance and the financial health of the business are quite strong and we are confident in our future potential. We have three revenue-generating businesses driving our growth agenda and all three are on-trend in growing segments of the market.

As we discussed at the March 1, 2022 AGM, we are looking to broaden the awareness and reputation of Hill Street behind these positive business results and the momentum we now have in place. We have generated strong proof points and foundational business results and would like to see a correlative improvement in our share value. I will be heading to the Benzinga Cannabis Capital Conference in late April 2022 and will be socializing our story with the investment community. We will keep you informed as our broader communication plans evolve, but we ask that you consider that we must constantly balance our resources - financial and human - that are focused on driving the operations and actual business results.

Again, thank you for your support of Hill Street. I know that many of you have been invested for quite a while and possibly came in under very different investment theses - either lines of business or geographic focus - than what's driving the strong profitable growth today. A mere fifteen months ago, we were an alcohol-free beverage company with almost all of our revenues in Canada. We have evolved tremendously since then. We believe in our strong growth agenda and the strategies and plans that are showing success in the market. Our focus is on executing with excellence to deliver continued positive business results, as we couple that with renewed efforts against the corporate reputation and valuation that will accrue value to all shareholders. I look forward to sharing the success with you and all the key members of our Hill Street ecosystem.

Sincerely,

Craig Binkley

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

Hill Street Beverage Company Inc. is a progressive non-alcoholic beverage and cannabis solutions company. We are pioneering the space where craft consumer products meet bioscience by combining our deep CPG expertise and our rights to use **Lexaria Bioscience Corp.'s** ground-breaking **DehydraTECH™** patent portfolio for product development, licensing and B2B sales of cannabis ingredients.

Hill Street Beverages brands include **Vin(Zero)** alcohol-free wines, and **Hill Avenue Cannabis Brands** include **(V)ia Regal** Pink and White Grape Sparklers.

For more information on our business activities or to check out **Hill Street's** award-winning alcohol-free line-up and order product to be delivered straight to your home go to www.hillstreetbeverages.com.

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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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[1] Market capitalization is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. It is calculated in this press release based on the daily share price (weighted by trading volume) and the average number of shares outstanding for that quarter.

[2] Valuation based on a multiple of net revenue is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. It is calculated by dividing market capitalization for the quarter (as calculated above) by net revenue for the quarter.

[3] <https://www.newcannabisventures.com/canadian-cannabis-lp-index/>.



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