

# Hill Street Reports FY 2022 Q2 & Year-to-Date Results, Expansion of DehydraTECH(TM) Licensing Business into New States, and Ticker Change to Reflect Hill Street's Growth and Evolution

## Highlights:

- *Increased gross profit for the six months ended December 31, 2021 by 12% Year over Year with a 9% increase in net revenue Year over Year*
- *Grew gross profit margin for the six months ended December 31, 2021 from 42% to 48% Year over Year, reflecting the improved financial impact of the DehydraTECH™ licensing business*
- *Expanded rights in Illinois and Massachusetts to existing partner Dehydr8, LLC for licensing of DehydraTECH™ fast-acting cannabinoid delivery system technology to IL and MA contract manufacturers and licensed producers for B2B and B2C THC applications*
- *Intends to obtain approval of the TSX Venture Exchange to change the Company's ticker symbol from "BEER" to "HILL", to reflect the Company's growth and evolution*

Toronto, Ontario--(Newsfile Corp. - March 1, 2022) - Hill Street Beverage Company Inc. (TSXV: BEER) ("**Hill Street**" or the "**Company**") reported its fiscal year 2022 second quarter results for the three-month and six-month periods ended December 31, 2021. A complete set of financial statements and Management's Discussion & Analysis has been filed at [www.sedar.com](http://www.sedar.com). All dollar figures are quoted in Canadian dollars unless otherwise stated.

## HIGHLIGHTS OF SECOND QUARTER BUSINESS OPERATIONS

### **Hill Avenue Cannabis Technologies continued its expansion into new geographic markets and with new product formats**

The Company expanded the reach of a number of its DehydraTECH™ licensees as the licensees introduced their popular DehydraTECH™-powered products into new states and launched new products in the quarter. In FY2022 Q2, Nuka Enterprises LLC ([1906](#))'s best-selling signature line of fast-acting swallowable THC pills (known as Drops) hit shelves in Arizona, and [Cannadips](#) launched a THC version of their popular original CBD pouches in California.

### **Added Distribution of Hill Avenue Cannabis Brands' (V)ia Regal beyond Ontario into new provinces British Columbia and Northwest Territories**

In FY2022 Q2, Hill Street's co-packing partner Molecule Inc. secured orders from the provincial cannabis boards of British Columbia and the Northwest Territories for the original (V)ia Regal Pink Grape Sparkler and the newly-launched (V)ia Regal White Grape Sparkler, both premium cannabis-infused sparklers made from grapes imported from European vineyards.

### **Submitted application for a New Health Canada Cannabis Research License and continued progress on securing a Cannabis Processing License for the Ontario Lucknow Facility**

The Company submitted an application for a Health Canada research license for its Lucknow cannabis facility in Mississauga, Ontario and also continued preparations for obtaining the Health Canada Standard Processor License for the facility, which will enable the Company to produce DehydraTECH™ fast-acting cannabinoid powder for potential B2B and B2C sales in Canada. The Company has begun

construction at the facility, but delays related to municipal permits for the build-out are impacting the timing for submission of that Standard Processor License application to Health Canada.

## Permanent CEO named subsequent to the quarter

Subsequent to the end of Q2, on January 6, 2022, the Company announced the appointment of Craig Binkley as CEO. Binkley had been operating in the interim Co-CEO role along with fellow board member Lori Senecal since February 9, 2021. Lori Senecal has transitioned out of the interim Co-CEO role and will continue in her Board of Director role.

## FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDING DECEMBER 31, 2021

### Financial results for the six months year-to-date show significant improvements that reflect the growing impact of the DehydraTECH™ business on the Company's financial fundamentals.

Net revenue increased 9% for the six-month period ending December 31, 2021 compared to the same period prior year, while gross profit increased 12% and gross profit margin improved six points from 42% to 48%. After adjusting for the impact of discontinued alcohol-free beer operations and inventory valuation adjustments made in the first half of FY 2021, net revenue for the first six months of FY 2022 increased 13%, while gross profit increased a full 30% and gross profit margin improved nine points from 39% to 48% for the six-month period.

"The year-to-date performance continued to exhibit the transformative power of our DehydraTECH™ licensing business on the overall financial measures of Hill Street", commented Craig Binkley, CEO of Hill Street. "The consolidated revenues, gross profit and gross profit margin are all improved by the escalating impact of this critical growth driver".

## Q2 FINANCIAL HIGHLIGHTS

While the six-month year-to-date financial results show strong positive trends, second quarter comparisons to year ago were negatively impacted by a quarterly shift in alcohol-free beverage revenues in the prior year.

Q2 FY21 was an extraordinary quarter for Hill Street alcohol-free beverage revenues, as sales were shifted from Q1 FY21 and elevated dramatically beyond normal by the impact of retailers and distributors restocking empty shelves and pipeline inventories that were emptied by global pandemic and supply chain issues in Q1 FY21. Comparative revenues year ago also included the alcohol-free beer business that has since been discontinued.

As a result of the quarterly revenue shift and the discontinuation of alcohol-free beer, consolidated net revenues for Q2 FY22 declined 32% vs. Q2 prior year, moderating the six-month net revenue growth to 9%. After the quarterly shift and recovery in inventories, future net revenues are expected to reflect positive category trends in alcohol free wine and growth for the fiscal year.

The quarterly shift in revenue also resulted in gross profit declining 33%, moderating the six-month gross profit gain to 12%. The increasing importance of the DehydraTECH™ licensing business allowed the Q2 gross profit margin to remain equal to year ago at 44%, although below the 48% margin for the full six-month period ending December 31, 2021.

## RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the three months and six months ended December 31, 2021, and the three months and six months ended December 31, 2020.

Consolidated Results for the Period Ended	Quarter Ended December 31, 2021	Quarter Ended December 31, 2020	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
Gross Revenue	\$576,622	\$875,529	\$1,237,105	\$1,259,979

Chargebacks, finance fees, and listing fees	-\$67,885	-\$129,780	-\$123,629	-\$239,518
Net Revenue	\$508,737	\$745,749	\$1,113,476	\$1,020,461
Direct Costs	-\$252,280	-\$363,840	-\$522,597	-\$492,546
Gross profit	\$256,457	\$381,909	\$590,879	\$527,915
Operating Expenses (excl. One-time & non-Cash)	\$794,938	\$757,466	\$1,444,954	\$1,208,186
Other One-time Expenses	\$0	\$19,337	\$16,146	\$23,837
Non-Cash Expenses	\$187,291	\$88,891	\$406,592	\$255,513
Loss before other income (Expense)	-\$725,772	-\$483,785	-\$1,276,813	-\$959,620
Other income (Expenses)				
Foreign exchange gain (loss)	\$7,872	-\$3,497	\$9,114	-\$1,980
(Loss) gain on Settlement of liability	-\$2,933	\$6,730	-\$2,720	\$6,730
Loss) gain on fair value of Consideration	\$20,945	\$0	-\$14,471	\$0
Write-off of inventory	-\$2,522	-\$0	-\$20,579	-\$1,535
Other Income	\$2,934	\$30	\$6,434	\$30
Loss and comprehensive loss for the period	-\$699,476	-\$480,522	-\$1,299,036	-\$956,375
Basic and diluted loss per common share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)
Weighted average number of common shares outstanding	212,294,452	122,399,917	210,647,548	117,289,721

## OTHER ANNOUNCEMENTS

### Signed new DehydraTECH™ Licensing Agreements with existing Michigan partner DeHydr8, LLC ("D8") for expansion of D8's rights into Illinois and Massachusetts for potential B2B and B2C applications

Based on the [success of D8's team](#) since acquiring [DehydraTECH™ rights in Michigan](#) in signing top-quality Michigan licensed producers to produce THC products powered by DehydraTECH™, the Company is pleased to announce that it has expanded the reach of D8's DehydraTECH™ rights to add the new states of Illinois and Massachusetts.

Granting DehydraTECH™ rights to D8 in Illinois and Massachusetts represent further steps that the Company is taking to rapidly mobilize and monetize the patented DehydraTECH™ technology by deploying a state-by-state US rollout model to continue to accelerate the Company's financial and operational progress. Hill Street and D8 have used their joint experiences gained in Michigan to create a scalable operating model for state-by-state expansion of the DehydraTECH™ licensing business that progresses from start to monetization over an approximately 5-month period.

### Approval Sought from TSX Venture Exchange for Ticker Change from "BEER" to "HILL"

The Company is pleased to announce that it intends to obtain the approval of the TSX Venture Exchange to change the Company's ticker symbol from "BEER" to "HILL". The Company expects that its common shares will begin trading on the TSX Venture Exchange under the new symbol "HILL" at market open on March 3, 2022.

This ticker change reflects the Company's growth and evolution beyond the domestic beverage business towards building a global, multi-business company pioneering the space where premium crafted consumer products meet bioscience.

No action is required by existing shareholders with respect to the ticker symbol change and the CUSIP/ISIN numbers assigned to the Company's common shares will not be changed.

### Re-Filing of FY 2022 Q1 Financial Statements

The Company also announces today that it has re-filed its unaudited condensed interim consolidated financial statements for the three-month period ended September 30, 2021 in order to incorporate a notice advising the reader that the statements have not been reviewed by an auditor. The re-filed financial statements replace and supersede the previously filed original financial statements filed on November 29, 2021 and will be available on SEDAR on March 1, 2022.

## About Hill Street Beverage Company Inc. (TSXV: BEER)

**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 Street Craft Brewed Lager**, and have won numerous medals and accolades around the world. **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](http://www.hillstreetbeverages.com).

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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", "would", "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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