

Hill Street Reports FY 2022 Q1 Results and Provides Update on Operations

Highlights:

- Q1 net revenue more than doubled with explosive growth of 120% year over year
- Q1 gross profit also increased by 129% year over year
- Powered major newlaunch of THC product line by leading brand of CBD dip pouches Cannadips, produced with fast-acting DehydraTECH™ cannabinoid delivery technology
- Added important new DehydraTECH™ licensing agreement with DeHydr8 MI, LLC to boost rapid commercialization at scale in major US B2B and B2C markets

Toronto, Ontario--(Newsfile Corp. - November 29, 2021) - Hill Street Beverage Company Inc. (TSXV: BEER) ("**Hill Street**" or the "**Company**") reported its fiscal 2022 results for the three-month period ended September 30, 2021. A complete set of financial statements and Management's Discussion and Analysis has been filed at www.sedar.com. All dollar figures are quoted in Canadian dollars.

RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the three months ended September 30, 2021 and the three months ended September 30, 2020.

Results for the Three Months Ended	September 30, 2021	September 30, 2020
Gross Revenue	\$660,483	\$384,450
Chargebacks and listing fees	(\$55,744)	(\$109,738)
Net Revenue	\$604,739	\$274,712
Direct Costs	\$270,317	\$128,706
Gross profit	\$334,422	\$146,006
Ordinary Operating Expenses	\$650,016	\$450,720
Other One-time Expenses	\$16,146	\$4,500
Non-Cash Expenses	\$219,302	\$166,621
Gain (Loss) before other Income	(\$551,042)	(\$475,835)
Other income (Expenses)		
Foreign exchange gain (loss)	\$1,242	1,517
Write-off of inventory	(\$18,057)	(\$1,535)
Loss on Fair Value of Consideration	(\$35,416)	\$0
Gain on settlement of liability	\$213	\$0
Other Income	\$3,500	\$0
Income (Loss) and comprehensive Income (loss) for the period	(\$599,560)	(\$475,853)
Basic and diluted income (loss) per common share	(\$0.00)	(\$0.01)
Weighted average number of common shares outstanding	212,294,452	112,085,463

BUSINESS HIGHLIGHTS FOR FISCAL Q1 2022

Throughout the quarter, Hill Street continued to build the resources and operations of its new global, multi-business-line model. Both Hill Street's Vin(Zero) premium alcohol-free wine brands and its Hill Avenue Cannabis Inc.'s ("**Hill Avenue**") (V)ia Regal cannabis-infused sparkler brand continued their strong momentum. Critically, this period also saw expansion of the US licensing of our cannabinoid delivery technology DehydraTECH™, resulting in both revenue growth and extremely strong margin contribution. These results increasingly demonstrate the impact of this next generation business model.

"Even at this early stage, the transformative power of our DehydraTECH™ licensing business on our overall financial performance is very evident in terms of extremely favorable margin contribution and the abundant potential to pursue global scale over time," commented Craig Binkley, Co-CEO of Hill Street. "This quarter, we were able both to add organic growth opportunities with existing licensees and to establish new licensing relationships as we continue our penetration into the legal states in the US."

Q1 consolidated net revenues more than doubled with explosive growth of 120% versus same quarter previous year

This accelerated growth in consolidated net revenue reflects the addition of cannabis-related revenues, which did not exist in the same quarter of prior year. This new revenue source, which began to be recognized in Q3 of fiscal 2021, continued its growth trajectory, increasing 32% this quarter over previous quarter (Q4 FY2021). The upward trajectory shows the impact of increased DehydraTECH™ licensing revenues from existing partners in the US market. Additional US licensing partnerships that have been developed and announced this quarter did not yet impact the financial results.

Another major contributor to net revenue growth was Hill Street's Vin(Zero) alcohol-free wine sales which increased 66% versus same quarter year ago fueled by geographic expansion into the Australia market, increased brand awareness, and continued favourable cultural tailwinds as more consumers embrace mindful consumption yet still demand great taste experiences.

Q1 gross profit also more than doubled versus same quarter previous year

The significant 129% increase in gross profit in Q1 demonstrates the growing impact of DehydraTECH™ licensing and expansion on elevating profit metrics.

Gross profit as a percentage of revenue increased dramatically to 51% from 38% in the prior year, primarily driven by the addition of the higher margin cannabis technology licensing business.

"Our Q1 results began to tangibly demonstrate the kind of accelerated progress we can generate as we more fully operationalize our multi-business-line model," stated Hill Street's CFO, Hinta Chambers. "Of particular note this quarter was the step-change in revenue growth and gross profit improvement which both achieved triple digit increases, affirming our strategic approach."

Hill Street continues building its DehydraTECH™ licensing line of business by organically expanding existing licensing relationships and adding new licensing relationships

During the fiscal Q1, the Company worked on expanding existing licensing relationships for DehydraTECH™ intellectual property with companies operating commercially in the United States in California, Colorado, Illinois, Massachusetts, and Oklahoma. These states are expected to represent \$12.9B in cannabis sales in 2021¹.

Cannadips (California)

On August 25th, 2021, Hill Street announced that its California DehydraTECH™ licensee Cannadips, had started production in preparation to launch a new THC-infused line of its top-selling CBD dip pouch products. Powered by DehydraTECH™ fast-acting technology through a licensing agreement with Hill

Avenue, this latest innovation follows the extremely successful use of DehydraTECH™ technology in Cannadips' national CBD product lineup.

Based in Humboldt County, California, Cannadips is the leading brand of smokeless nicotine and tobacco-free hemp dips in the United States. This new product line launched subsequent to the close of fiscal Q1 on November 8th, 2021.

DeHydr8 MI, LLC (Michigan)

Also, during the quarter, the Company executed a major new DehydraTECH™ licensing agreement in Michigan with DeHydr8 MI, LLC ("**DeHydr8**"), on July 26th, 2021. With this agreement, DeHydr8 became Hill Street's first US licensee to gain rights to market DehydraTECH™ for THC cannabis products within both the B2B and B2C markets. Since then, DeHydr8 has leveraged both its deep relationships and years of experience in the cannabis market to enter into agreements with top quality licensed producers ("**LPs**") to produce consumer products powered by DehydraTECH™. These partners will be the first LPs in the State of Michigan to produce products powered by DehydraTECH™ which the company anticipates will begin in fiscal Q2.

Michigan adds another important state to the Company's US operating footprint, ranking among the top five states in the US for cannabis sales and growth and currently on track to register \$1.4-\$1.7 billion in annual cannabis sales in 2021. This new commercial operation in Michigan significantly accelerates the Company's ability to commercialize DehydraTECH™ technology in other legal US states.

The total US market is projected by BDS Analytics to reach \$24B in sales in 2021 and to practically double to \$47.6B in 2026², with continued growth in current markets as well as several large states becoming newly legal expansions for adult use. Four new US states passed legalization measures in the November 2020 elections, and four more new states have approved legalization measures during calendar 2021, including New Jersey and New York, where the latter is predicted by BDS Analytics to be a top five market by 2026³.

¹ Annual Marijuana Business Factbook, 2021, 9th Edition, Marijuana Business Daily, pages 16 - 17

² BDSA Reports Global Cannabis Sales Surge 41% YoY in 2021; Will Surpass \$62 Billion by 2026" - <https://www.yahoo.com/news/bdsa-reports-global-cannabis-sales-130000521.html>

³ BDSA Reports Global Cannabis Sales Surge 41% YoY in 2021; Will Surpass \$62 Billion by 2026" - <https://www.yahoo.com/news/bdsa-reports-global-cannabis-sales-130000521.html>

"The financial progress we have seen in fiscal Q1 is largely from expanding our engagements with existing partners and licensees. We look forward to realizing the impact of the new partners and geographies we have since put in place and those we continue to pursue, as we pave the road to future growth," said Lori Senecal, Co-CEO of Hill Street.

Preparations continued on securing cannabis processing license for Hill Avenue's Lucknow facility

The Company continued preparations for obtaining the Health Canada Standard Processor License for its Lucknow cannabis facility at which it plans to produce DehydraTECH™ fast-acting cannabinoid powder for potential B2B and B2C sales. The company began construction at the facility during this period.

Permanent CEO search

The interim plan of having two globally experienced CEOs, both highly driven and passionate about Hill Street, has been very important during the Company's transition. The Company has moved from one business predominately operating in Canada, to creating three distinct businesses with global potential and has worked to set up the operational backbone that could support the breadth and scale of its

growth agenda. When the Company considers that this transition period is complete, it will look to have one dedicated CEO to execute the plan with continued speed and excellence.

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.

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