

Hill Street Reports FY 2021 Year End and Q4 Results and Provides Update on Operations

Highlights:

- In Q4, explosive gross profit growth (up 179% vs. Q4 FY2020) driven by addition of high-margin DehydraTECH™ licensing revenues; strong net revenue growth of 60% vs. Q4 FY2020
- For the full fiscal year, increased gross profits by 55% and grew net revenue by 27% vs. previous fiscal year, despite the pandemic
- Added two newlines of business to legacy alcohol-free beverage business - 1) cannabis-infused beverage sales and 2) patented cannabis technology licensing
- Acquired exclusive global usage rights for leading cannabinoid delivery technology DehydraTECH™ for use in THC products and drove rapid US commercialization of the technology through out-licensing
- Appointed Pearl Chan as Chief Legal Officer and Secretary

Toronto, Ontario--(Newsfile Corp. - October 29, 2021) - Hill Street Beverage Company Inc. (TSXV: BEER) ("**Hill Street**" or the "**Company**") reported its fiscal 2021 results for the twelve-month and three-month periods ended June 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 years ended June 30, 2021, June 30, 2020, and June 30, 2019.

Results for the Year Ended	June 30, 2021		June 30, 2020		June 30, 2019	
Gross Revenue	\$	2,753,481	\$	2,613,923	\$	2,423,094
Chargebacks, finance fees, and listing fees		-\$558,567		-\$883,068		-\$1,151,894
Net Revenue	\$	2,194,914	\$	1,730,855	\$	1,280,200
Direct Costs		-\$1,071,284		-\$1,004,806		-\$848,373
Gross profit	\$	1,123,630	\$	726,049	\$	431,827
Operating Expenses (excl. One-time & Non Cash)	\$	2,829,462	\$	2,453,642	\$	3,430,203
One-time Expenses	\$	167,548	\$	1,242,075	\$	1,136,338
Non Cash Expenses	\$	1,075,035	\$	676,940	\$	875,666
Loss before other Income (Expense)		-\$2,948,415		-\$3,646,608		-\$5,010,380
Other income (Expenses)						
Foreign exchange gain (loss)		-\$5,393		-\$7,975		-\$17,240
Gain on favourable interest rate	\$	6,541	\$	17,939		-
Gain on settlement of liability	\$	137,480	\$	43,217		-
Loss on fair value of Consideration		-\$259,216		-		-
Charges related to public company listing		-		-		-\$918,345
Write-off of intangibles		-		-\$8,000		-
Write-off of inventory		-\$17,258		-\$80,445		-\$7,298
Other Income	\$	30	\$	194	\$	9,411
Income (Loss) and comprehensive income (loss) for the period		-\$3,086,231		-\$3,681,679	\$	5,943,852
Basic and diluted loss per common share		-\$0.02		-\$0.04		-\$0.07
Weighted average number of common shares outstanding		141,775,866		104,401,665		85,543,433

BUSINESS HIGHLIGHTS FOR THE FISCAL YEAR END

Hill Street's 2021 fiscal year marks a time of significant corporate development for the Company. During the fiscal year, important new business lines and revenue streams were created, key partnerships were cemented, and operating systems were put into place to prepare the company for the next stage of global growth. In the later part of the fiscal the Company began to execute this transformational business model and saw important impact to financial metrics such as gross profit and net earnings.

"This year marked transformational progress as we made a bold push into the progressive cannabis solutions space," said Craig Binkley, interim co-CEO of the Company. "While our alcohol-free and cannabis infused beverage lines continue to provide a strong and growing base of revenue, the second half of our fiscal year added the power of DehydraTECH™ licensing revenues and extremely strong margin contribution as exciting proof of the potential of this next generation business model."

The Company expanded from one line of business to three distinct lines and revenue streams, adding Hill Avenue Cannabis Brands and Hill Avenue Cannabis Technologies to its legacy Hill Street alcohol-free beverages business. This development was supported by several important new partnerships and transactions:

1. Acquired the global usage rights to cutting-edge DehydraTECH™ cannabinoid delivery technology for use in THC cannabis infused products and licensed certain rights to use DehydraTECH™ technology in CBD cannabis infused products, from subsidiaries of Lexaria Bioscience Corp.
2. Created a partnership with Molecule Holdings Inc. to co-pack cannabis-infused beverages under the Hill Avenue Cannabis '(V)ia Regal' brand in Canada. The first product, '(V)ia Regal Pink Grape Sparkler', launched on May 18, 2021 in Ontario, Canada.
3. Acquired and expanded licensing relationships for DehydraTECH™ intellectual property with companies operating commercially in the United States in the states of California, Colorado, Illinois, Massachusetts and Oklahoma. These states represent an expected \$12.9B in total 2021 cannabis sales and are the number one, two, three, five, and eleven revenue markets in the United States^[1].

FINANCIAL HIGHLIGHTS FOR THE FISCAL 2021 YEAR END

Gross Profit Increased 55% while Consolidated Net Revenue Grew 27% This Fiscal Year Versus Previous Fiscal Year, Despite the Pandemic

Strong gross profit performance was driven by the DehydraTECH™ licensing business, which contributed significantly higher margins than the legacy alcohol-free business, and 25% growth in alcohol-free gross profit from sales increases and improvements in supply chain management that led to cost reductions on retailer fees and chargebacks.

Additionally, consolidated net revenue increased significantly versus prior year due to:

1. The Company's first full quarters of cannabis-related revenues were realized in fiscal Q3 and Q4, from DehydraTECH™ licensing activity in the US and Canada.
2. Although supply chain challenges and COVID-19 related delays impacted alcohol-free beverage sales at various points in the year, momentum returned to the business with strong orders to replenish depleted stock by year-end. Additionally, online orders grew 82% versus prior fiscal year as online purchasing was more broadly adopted during the pandemic by consumers and specialty distributors.

3. Significant reductions in chargebacks and retailer fees for alcohol-free beverages were realized versus previous fiscal year due to improvements in supply chain management.

Q4 HIGHLIGHTS

Q4 Gross Profit Increased 179% and Consolidated Net Revenues Increased by 60% Versus Same Quarter Previous Year

In this quarter, improvements in supply chain management in the Company's alcohol-free business on significantly higher net revenues led to cost reductions of retailer fees and chargebacks, but the significant gross profit increase in the quarter compared to the same quarter previous year shows the impact of the high margins associated with the DehydraTECH™ licensing business.

"Our Q4 results began to tangibly demonstrate the step-change that the new multi-business-line model has on the key financial metrics of the Company. This is particularly evident in the gross profit line where the DehydraTECH™ business not only contributed growth but drove dramatic improvements to the overall margins of the Company," stated Hill Street's CFO, Hinta Chambers.

The Company Continued Building its Hill Avenue Cannabis Technologies Line of Business

The Company continued building its B2B DehydraTECH™ licensing business which is focused on:

1. licensing usage rights for DehydraTECH™ patented global intellectual property to licensed cannabis CPG companies for application in their cannabis-infused consumer products; and
2. licensing usage rights to extractors for converting cannabis oil into DehydraTECH™ powder to preserve cannabinoid potency and extend shelf life in the supply chain for cannabis-infused CPG brands and products.

During the fiscal Q4, the Company expanded 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 2021 cannabis sales^[1].

Also, during the quarter, the Company prepared a major new licensing agreement in Michigan, with DeHydr8 MI LLC ("**DeHydr8**"), which was executed on July 26th, 2021, subsequent to quarter and fiscal year end. While as part of Hill Street's acquisition of the DehydraTECH™ technology from Lexaria, Hill Street acquired existing licensing agreements with licensees operating in the B2C market, DeHydr8 became Hill Street's first US licensee to gain rights to market DehydraTECH™ for THC cannabis products within both the B2B and B2C market. Since then, DeHydr8 has leveraged both its deep relationships and years of experience in the cannabis market to enter into agreements with top quality LPs to produce consumer products powered by DehydraTECH™.

Michigan adds another important state to the Company's US 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^[2]. This new commercial operation 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 2026^[3], 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 2026^[4].

"As we look to fuel future growth, the US market alone, being so large and still growing, represents a highly scaled source of revenue for the Company to pursue," said Lori Senecal, interim Co-CEO of Hill Street. "We are confident that revenue growth combined with the rich margins we're seeing in IP licensing will continue to drive strong improvement in net earnings and in the overall financial metrics of the Company."

Hill Avenue Cannabis Brands Launched its First Beverage in Ontario

Hill Avenue's first cannabis infused beverage, '(V)ia Regal Pink Grape Sparkler', a premium sparkler made from grapes imported from European vineyards, became available for retail purchase midway through fiscal Q4 on May 18, 2021, at the Ontario Cannabis Store. The first shipment sold out in less than ten days and several follow-on purchase orders have since been fulfilled.

Progress Continued on Securing Cannabis License for Hill Avenue Through the Lucknow Facility

The Company continued preparations for obtaining the Health Canada Standard Processor License for its Lucknow cannabis facility to produce DehydraTech™ fast-acting cannabinoid powder for potential B2B and B2C sales. Subsequent to the quarter, construction commenced at the facility as Covid-19 restrictions, delays and supply challenges began to ease.

CEO Update

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 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.

Appointment of Chief Legal Officer and Corporate Secretary

Hill Street also announces another move to support its growth strategy with the appointment of Pearl Chan as the Company's first Chief Legal Officer. Pearl has valuable experience navigating the complexities of the cannabis legal environment both in Canada and across the USA, having recently served as General Counsel of a public Canadian cannabis company, and then Associate General Counsel of its acquiror, a public US cannabis multi-state operator. With the Company's significant opportunities in Canada, the US and other global markets, Pearl will be instrumental in accelerating and supporting the Company in that development. Pearl also assumes the role of Corporate Secretary of the Company effective immediately.

Other Announcements

The Company wishes to correct an announcement made on August 16, 2021, wherein it announced that it issued 7,575,758, common shares to Lexaria CanPharm ULC in satisfaction of a \$500,000 deferred payment obligation owing under the asset purchase agreement announced on December 10, 2020. The amount of the payment was misstated. The correct amount paid was \$643,939 which is a partial payment of the \$1,000,000 of deferred purchase price to be paid in shares of the Company, as previously disclosed.

Subsequent to year end, a former employee filed a claim against the Company in the amount of \$500,000 for employment-related compensation. The Company has assessed the merits of the claim, has filed a defense, and denies any liability in connection with this claim.

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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Not for dissemination in the United States.

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

[2] Annual Marijuana Business Factbook, 2021, 9th Edition, *Marijuana Business Daily*, pages 16 - 17

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

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



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