



Hill Street Reports FY2019 Year End Results & Provides Update on Operations

Toronto, Ontario – October 29, 2019. Hill Street Beverage Company Inc. (“**Hill Street**” or the “**Company**”) (TSX-V: BEER) reported its fiscal 2019 financial results for the twelve-month period ended June 30, 2018. A complete set of financial statements and Management’s Discussion & Analysis has been filed at www.sedar.com. All dollar figures are quoted in Canadian dollars.

FY2019 Year End Financial Highlights

- Gross revenue of \$2.432 million, up 61% y/y;
- Gross profit of \$0.432 million up 400% y/y;
- Gross profit of 18% of gross revenue up from 6% year ago;
- Net loss of \$5.944 million, including the following one-time and non cash charges:
 - \$0.918 million charge for the public company listing;
 - \$0.826 million for Stock based compensation; and
 - \$.869 million in professional fees
- Working capital of \$1.880 million, compared with \$1.455 million for same period last year;
- End of quarter cash position of \$1.068 million, with no debt.

“With cannabis edibles legal earlier this month in Canada, Hill Street continues to grow its brand awareness and consumer offtake in the alcohol free beverage segment,” said Terry Donnelly, CEO of Hill Street. “All of the alcohol free revenue earned during the year came from growing our existing retail account channel. Operational improvements made in FY18 began to show the results we anticipated. Going forward to address the cannabis-infused edibles market, we are evaluating companies third-party bottling and canning companies that have facilities designed and licensed to produce cannabis beverages remain. We are confident that Hill Street’s alcohol free and cannabis infused business model will materialize as expected over the next 12 months.”

Results for the Year Ended	June 30, 2019	June 30, 2018
Gross Revenue	\$2,432,094	\$1,511,311
Chargebacks and listing fees	-\$1,151,894	-\$840,429
Net Revenue	\$1,280,200	\$670,882
Direct Costs	-\$848,373	-\$584,500
Gross profit	\$431,827	\$86,382
Operating Expenses	\$3,697,557	\$2,126,109
Other One-time Expenses	\$868,984	\$148,220
Non Cash Expenses	\$875,666	\$895
Loss before other Income (Expense)	-\$5,010,380	-\$2,188,842
Other income (Expenses)		
Foreign exchange (loss) gain	-\$17,240	-\$709
Loss on legal settlement		-\$215,930
Write-off of inventory	-\$7,298	-\$242,399
Write-off of equipment		-6,936
Write-off accounts payable		
Charges relating to public company listing	-\$918,345	
Other Income	\$9,411	\$1,830
Income (Loss) and comprehensive Income (loss) for the period	-\$5,943,852	-\$2,652,986
Basic and diluted income (loss) per common share	-\$0.07	-\$0.07
Weighted average number of common shares outstanding	85,543,433	40,229,986

The Company presently has one business segment, the marketing and distribution of alcohol-free beer and wine in Canada and, to a much lesser extent, the United States. Hill Street sells its products online and into approximately 10,000 points of distribution in retail large chain stores in Canada. Hill Street's investment in its Distributor/ Broker networks has resulted in significant new distribution and retail listings. It also provides a direct consumer subscription service at www.hillstreetbevco.com.

Non-Alcoholic Adult Beverages

According to a leading beverage industry market research firm¹, the non-alcoholic wine and beer market consistently ranks as one of the fastest growing sectors in the global beverage industry and is expected to generate 8.5% CAGR globally until 2025. In Canada, the segment has experienced annual growth in excess of 20% a year for the past few years, which has seen the launch of new alcohol-free beer brands from the top brewers in the world, in addition to new craft beer offerings from regional and local brewers. Hill Street has acquired a significant part of this growth, leveraging our relationship with major national retailers to expand our presence on shelf, as well as securing the opportunity to produce private label versions of our products for major retailers..

Cannabis-infused Adult Beverages

According to Statistics Canada, there are approximately 20 million consumers who drink alcohol. Per capita, the Canadian consumer drank approximately 255 (371 ml size) bottles per capita in 2015, implying that more than 5 billion bottles of beer were consumed during that year. The annual decline of beer consumption in Canada is 0.7%, as consumers trend to moderation and look for alternatives to alcohol given its negative impact on their health and lifestyle. According to recent research released by Deloitte, approximately 30% of the Canadian population is interested in trying cannabis edibles, including beverages. If they all chose to switch to cannabis-infused beer, the size of the beer market alone would be 1.6 billion bottles, or almost 66 million standard cases of 24 bottles of cannabis-infused beer per year. At an average wholesale price of \$36 per case, \$2.36 billion in market potential.

Since regulations prohibit the mixing of alcohol and cannabis in a commercial product, a beverage must contain no alcohol if cannabis is to be added to it, and the removal of alcohol from traditional beer and wine changes the flavour profile of the beverage. For this reason, any producer of traditional alcoholic beer or wine wishing to create a cannabis-infused version of its products would first have to produce great tasting alcohol-free versions of their brands that consumers would enjoy. Having already solved this problem, Hill Street is proceeding on to the next stage—infusing its beverages with cannabis. Management’s license agreement with Lexaria Bioscience , provides the Company with access to technology to render cannabis into an odorless and tasteless water-soluble powder which can then be added to its alcohol-free beverages.

Hill Street believes that the cannabis-infused beverage segment can best be described as three distinct beverage categories: 1) “Heighten” (adult recreational use); 2) “Help” (therapeutic or functional beverages); and 3) “Heal” (beverages) and medicinal or prescription beverages). We intend to produce, market and sell beverages for the adult use and therapeutic or functional beverage categories.

¹ Mintel, Global Food and Drink Trends, 2019

Hill Street intends to meet this potential demand with the same type of high quality and award-winning products we have produced for the alcohol-free category, and with the same level of focus on brand development, sales and distribution.

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

Founded in 2008, 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 products include: Hill Street Craft Brewed Lager, Designated Draft alcohol-free beer, Vin(Zero) wines, and Vintense wines. Hill Street's award-winning products have won the Retail Council of Canada's Grand Prix, and numerous medals and accolades including three Gold, two Silver, and two Bronze Medals at the U.S. Open Beer Championships, and a prestigious Double Gold Medal at the San Francisco International Wine Challenge. As a result of the Royal Assent of Canada's Bill C-45, legislation to allow the sale of cannabis-infused beverages is expected to occur by October 17, 2019. Hill Street is currently applying for appropriate licenses to permit the production and sale of cannabis infused beverages in Canada, with the view of having infused products available for sale once the regulations permit. www.hillstreetbeverages.com

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