Hill Street Reports FQ2 2019 Results & Provides Update on Operations

Toronto, Ontario – March 1, 2019. Hill Street Beverage Company Inc. (“Hill Street” or “the Company”) (TSX-V: BEER) reported its fiscal Q2 2019 financial results for the three-month period ended December 31, 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.

FQ2 2019 Financial Highlights

- Quarterly gross revenue of $527,652, down 12% y/y;
- Net loss of $1.4 million for the quarter, compared to a net loss of $0.4 million y/y;
- Working capital of $2.2 million, compared with $1.5 million for same period last year;
- End of quarter cash position of $1.1 million, with no debt.

“Gross revenue declined in fiscal Q2 2019 because an order from an existing retail customer was delayed but received subsequent to quarter end,” said Terry Donnelly, CEO. “Despite this delay, gross revenue for the first half of our fiscal year grew 36% over last year, and we expect materially increasing revenues through the back half of our fiscal year. We invested heavily in marketing and promotional activities during the quarter ended December 31, and investors will begin to see the results from that spend in brand and volume gains. In the short-term, investors will see evidence of our marketing activities in the soon-to-be-released results from our Hill Street Challenge.”
Results of Operations

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
</tr>
<tr>
<td></td>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
</tr>
<tr>
<td>Notes</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>5/15</td>
<td>527,652</td>
</tr>
<tr>
<td>Chargebacks &amp; listing fees</td>
<td>5</td>
<td>(132,295)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(132,295)</td>
</tr>
<tr>
<td>Net Revenue</td>
<td></td>
<td>395,356</td>
</tr>
<tr>
<td>Direct Costs</td>
<td>(169,569)</td>
<td>(244,532)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(464,444)</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>225,787</td>
<td>(119,047)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>442,501</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(36,670)</td>
</tr>
</tbody>
</table>

Expenses

- Marketing, products and packaging: 452,121
- Accretion expense: 51,250
- Bad debts: 10,074
- Bank charges and interest: 713
- Consulting fees: 30,000
- Depreciation: 376
- Donations, dues & licenses: 60,789
- Filing and transfer agent fees: 9,493
- Management fees: 24,500
- Office and miscellaneous: 19,629
- Professional fees: 288,462
- RTO expenses: 1,445
- Stock-based compensation: 262,117
- Travel and meal allowance: 29,444
- Wages and salaries: 321,055
- Warehousing costs: 138,254

Total Expenses: 1,638,838

Loss before other income (expense): (1,412,611)

Other income (losses)

- Charges related to public company listing: -
- Foreign exchange gain (loss): (1,158)
- Write-off of inventory: 59,449
- Other income: 30,208

Total Other income (losses): (30,409)

Loss and comprehensive loss for the period: (1,443,020)

Basic and diluted (loss per common share)

- Weighted average number of common shares outstanding: 87,112,165
significant new distribution and retail listings, giving it an addressable retail market of nearly 7,000 stores, with significant new coverage of the independent retail channel across Canada via National Importers, and the dépanneur retail segment in Quebec via Clark, Drouin, Lefebvre (CDL). It also provides a direct consumer subscription service at www.hillstreetbevco.com. In addition, the Corporation is focusing on expanding its business segments to include Cannabis infused beverages later in 2019 or 2020 when Cannabis edibles become legal.

Non-Alcoholic Adult Beverages

The Non–Alcoholic retail segment remains one of the fastest growing segments in the beverage category according to Nielsen, the leading retail analytics company. This growth has created an interesting inflection point in how retailers manage the category. Retailers are now evolving from a “transactional” approach to a “strategic” one. Most large box retailers have implemented or are about to implement new designs to optimize sales and profit. They look for relevant and interesting product portfolios and the vendors who can support and grow the category.

Hill Street’s launch of four new Vin(Zero) wines and two Hill Street craft beers in the first quarter were met with strong interest in the retail channel. The portfolio of products saw an increase in distribution in the quarter ended December 31, 2018 with the expansion into the Sobeys and Safeway chains in western Canada as well as a commitment to expand multiple new listings nationally in the upcoming fiscal third quarter. Loblaws Limited (LCL) also remains a strong partner, with a commitment to expand the Company’s branded portfolio of listings in their Loblaws, Zehrs and Fortino’s chains and to expand their private label listings that Hill Street produces (expected in Fall 2019).

According to Nielsen, Quebec is the largest market in Canada for Non-Alcoholic wine and beer beverages and has over 3,000 points of retail distribution actively selling them. In the quarter ended December 31, 2018, Hill Street signed an exclusive sales and distribution agreement with Clark Drouin Lefebvre to begin the brand’s market penetration.

Cannabis-infused Adult Beverages

In addition to building an alcohol-free beverage business, Hill Street recognized early that the regulations permitting the use of recreational cannabis, prohibited the mixing of alcohol and cannabis in commercial products. Therefore, if a beer or wine company wanted to make cannabis-infused versions of their beverages, they would first have to produce great tasting alcohol-free versions before they could add cannabis. Hill Street is an award-winning producer of alcohol-free adult beverages with over a decade of experience in producing these products.

Hill Street filed its application for a standard processor license under the Access to Cannabis for Medical Purposes Regulations Act in October 2018. Hill Street has updated and amended its application under the new Cannabis Act, Bill C-45, to become a legal producer of cannabis-infused beverages when edible forms of cannabis become legal in late 2019 or early 2020. This legalization is dependant on the issuance of the final regulations for these products from Health
Canada. Hill Street’s partnership with Lexaria Bioscience Corp. ("Lexaria") has resulted in the Company procuring the equipment necessary to produce the material for infusing its beverages with cannabis extracts. In the quarter, the Corporation and Lexaria focused on the training and development work as well as production planning for Hill Street’s cannabis beverage production facility. Lexaria’s technology was given a significant boost in the form of an investment from global tobacco giant, Altria, providing further credence that Hill Street’s choice of their technology was a prudent decision.

Management continues discussions with a number of licensed producers to provide cannabis extracts for use in Hill Street’s proposed beverages, as well as engaging with a wide array of companies who wish to use Hill Street’s proposed facilities for co-packing purposes. Once Hill Street’s manufacturing facility is functioning, management anticipates generating a portion of its revenues from co-packing for other cannabis companies.

**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](http://www.hillstreetbeverages.com)

For further information:
Press only:
Terry Donnelly, Chairman and CEO, Hill Street Beverage Company Inc.,
terry@hillstreetbevco.com, (416) 543-4904;

For investors:
Gareth Tingling, Investor Relations,
gareth@sophiccapital.com, (647) 797-0219

Follow Hill Street on Twitter [https://twitter.com/hillstreetbevco](https://twitter.com/hillstreetbevco)

and on Facebook [http://facebook.com/hillstreetbevco](http://facebook.com/hillstreetbevco)
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”, “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.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*