HILL STREET BEVERAGE COMPANY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period and year ended June 30th, 2022

The following management's discussion and analysis ("**MD&A**") provides a review of the activities, results of operations and financial condition of Hill Street Beverage Company Inc. (the "**Company**" or "**Hill Street**") for the three and twelve-month periods ended June 30, 2022, in comparison with the three and twelve months ended June 30, 2021. These comments should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2022 and June 30th, 2021 and accompanying notes included therein, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A has been prepared as of October 28, 2022. Additional information relating to Hill Street is available on SEDAR.

All amounts are stated in Canadian dollars unless otherwise identified.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of Hill Street's plans, objectives, strategies, expectations and intentions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although Hill Street believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect Hill Street's views as of October 28, 2022 with respect to future events. Future events are subject to certain risks, uncertainties, and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. Any forward-looking statements, including statements regarding expected volumes, operating efficiencies, or costs are based on, among other things, the following material factors and assumptions: sales volumes will increase over time; no material changes in basic consumer preferences; brewing, blending, and packaging efficiencies will improve over time; the cost of input materials for brewing and blending will increase over time; competitive activity from other manufacturers will continue; foreign currency exchange rates will change; there will likely be material changes to the regulatory environment in which Hill Street operates, particularly regarding cannabis-related products, and there will be no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and for more information regarding the risks, uncertainties and assumptions that could cause Hill Street's actual financial results to differ from the forward-looking statements, to also refer to the remainder of the discussion in this MD&A, Hill Street's various other public filings as and when released by Hill Street. The forward-looking statements included in this MD&A are made only as of October 28, 2022 and, except as required by applicable securities laws, Hill Street does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

DESCRIPTION OF THE BUSINESS

Hill Street is a progressive non-alcoholic beverage and cannabis infusion technology solutions company that is fundamentally transforming its legacy business model to embrace a more profitable and more scalable global growth agenda. We are pioneering the space where craft consumer products meet bioscience by combining our deep CPG expertise and brands with our rights to use **Lexaria Bioscience Corp's** ground-breaking **DehydraTECH™** patent portfolio for product development, licensing and B2B and B2C sales of cannabis ingredients or products on a global scale.

The Company currently has three lines of business:

1. Hill Street Alcohol-Free Beverages

This line represents the legacy consumer beverage marketing and distribution business. It includes Vin(Zero) alcohol-free wine in Canada, and on a smaller scale, in the United States and Australia. The products are sold in retail chain stores through Canadian distributors, exported outside of Canada through foreign distributors and offered direct to consumers online at www.hillstreetbeverages.com.

2. Hill Avenue Cannabis Technologies

Hill Avenue Cannabis Technologies' business provides DehydraTECH™-enabled business-to-business (B2B) solutions for both cannabis extractors and ingredient suppliers and consumer packaged goods (CPG) manufacturers whose products are infused with cannabis and or hemp extracts. This B2B business line licenses global usage rights for DehydraTECH™ patented intellectual property acquired from Lexaria CanPharm ULC, a subsidiary of Lexaria Bioscience Corp. (together, with Lexaria CanPharm ULC, "**Lexaria**") in December 2020.

DehydraTECH™ is one of the world's newest self-emulsifying drug delivery systems (SEDDS) technologies specifically designed to improve the efficacy of orally administered bioactive molecules, including cannabinoids. DehydraTECH™ improves the way active pharmaceutical ingredients (APIs), such as those found in cannabis, enter the bloodstream by promoting healthier delivery methods and increasing the effectiveness of fat-soluble active molecules in product forms such as the many forms of cannabis-infused edibles and topicals.

Findings from extensive scientific studies on the DehydraTECH™ technology performed by its creator Lexaria include:

- **Increased bioavailability up to 5-10x** – to equate to blood absorption by inhalational delivery
- **Increased brain permeation up to 19x** – as demonstrated in animal studies
- **Avoids first-pass liver metabolism** - mitigating unwanted side effects
- **Reduced time of onset** – effects are felt within 15-20 minutes vs. 60-120 minutes
- **Masks unwanted tastes** – eliminating the need for sugar-filled edibles

The evolution of Hill Avenue Cannabis Technologies has fundamentally changed the Hill Street business model in several significant ways – geographically, operationally, and financially.

- **Geographical Impact**
  With the acquisition of the global rights to the DehydraTECH™ patents for use in the production of products containing 0.3% or greater THC, which acquisition included pre-existing DehydraTECH™ licensing agreements with certain US LPs, Hill Avenue immediately entered the U.S. cannabis market, generating revenues from licensing partners already operating across multiple U.S. states.

  Sine the DehydraTECH™ rights were acquired in December 2020, the Company has expanded its licensing to an operating footprint in the U.S. that now covers ten states with a total population of 115MM[1] and an addressable market of approximately $21.5B USD in estimated 2022 cannabis sales[2]. That footprint covers states generating almost two-thirds of the addressable market of $33B USD in projected total U.S. cannabis sales for 2022[3].

  Because of the nature of the DehydraTECH™ licensing business, the ability to expand into global markets is facilitated by a licensing model in which we can easily expand our footprint without major capital or operating expenses.

- **Operational Impact**
  The DehydraTECH™ licensing business is a B2B business model that utilizes the Company's prior CPG product development and marketing knowledge along with its retail experience, to accelerate its agenda of becoming a premium cannabis infusion technology / ingredient solutions provider to companies looking to market premium cannabis edibles.

  By combining Hill Street's strengths with those of DehydraTECH™ creator Lexaria's and Hill Street's downstream DehydraTECH™ licensees, the Company has created an ecosystem with robust capabilities in bioscience, food science, new product format and recipe development, as well as commercial manufacturing and operations for a range of consumer product form factors.

- **Financial Impact**
  The overall financial efficiency of the DehydraTECH™ technology licensing business is superior to the legacy beverage business, bringing significantly higher margins and avoiding the requirements for finished product inventory and working capital investment that are required in the beverage business.

3. Hill Avenue Cannabis Brands

The Hill Avenue Cannabis Brands line of business focuses on business-to-consumer (B2C) cannabis edibles products for a growing global market. In May 2021, the Company launched a line of premium cannabis-infused grape-based sparkling beverages in Canada under the brand (V)ia Regal but withdrew the line from the market in September 2022. The withdrawal was due to slow category development of the Canadian and global cannabis beverage market, regulatory challenges in the promotion and marketing of a premium cannabis product in Canada, and a business model that required significant inventory of bulk alcohol-free wine and the associated cost and shelf-life risk of that inventory.

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[1] US Census Bureau, https://www.census.gov/quickfacts/fact/table/US/PST045221
[2] MJBiz Factbook 2022
[3] MJBiz Factbook 2022

BUSINESS HIGHLIGHTS FOR THE FISCAL YEAR END

- ***Re-engineered our Vin(Zero) commercial business model to improve the key financials of the business and began executing on a global distribution expansion strategy***

- ***Activated and expanded our DehydraTECH™ licensing business, growing the U.S. DehydraTECH™ licensee ecosystem from two to seven and doubling the number of US states in operation in our DehydraTECH™ licensing footprint***

- ***Re-evaluated our overall cannabis strategy for Canada after a full year in-market, subsequently withdrawing the (V)ia Regal cannabis beverage initiative from the Canadian market***

- ***Added key members to the management team to drive the growth agenda***

Hill Street's fiscal year 2022 was by far the most successful fiscal year in the history of Hill Street in terms of both operational and financial results. Highlights for each line of business are outlined below.

Hill Street Alcohol-Free Beverages

Fiscal 2022 was truly transformative for the Vin(Zero) alcohol-free wine business. We continue to look at this business as a global opportunity based on the overall consumer trends and the experience and global reach of both our internal team and the Vin(Zero) business ecosystem. We began to execute on our global aspirations in fiscal 2022 with new distribution programs outside of Canada.

- We launched a new distribution and promotional program in the U.S. with New York-based alcohol-free retailer Boisson, whose progressive retail concept to serve the fast-growing movement toward a conscious approach of "better and better for you" consumption is a great model to attract this expanding group of consumers.

- We also expanded our sales much further geographically with new distribution in Australia, as we work on broader international opportunities to develop the alcohol-free wine market.

By fiscal year end, we also made major adjustments across all the key areas of production planning, shipping and logistics, warehousing, sales and retail distribution to transform our business models. Importantly, we have:

- shortened our order-to-cash cycle dramatically;
- reduced the level of working capital that we will be holding in finished goods inventory; and
- structured our forecasting, operations planning, and inventory logistics models to create a more efficient shipping cycle that will reduce the need for more expensive temperature-controlled containers for our products.

The changes had a significant positive impact on our Q4 sales as we adjusted inventories across the business system, and we expect to see several key positive financial impacts from these changes over time.

Hill Avenue Cannabis Technologies

Activating and expanding the DehydraTECH™ licensing business in fiscal 2022 following the December 2020 rights acquisition was a key focal point and initiative to drive the growth agenda.

- As of the beginning of the fiscal year, the Company had only one DehydraTECH™ licensee operating live in-market with DehydraTECH™ THC-infused products – the owner of the "**1906 Drops**" line of products ("**1906**"), which were then available in four U.S. states, with 1906's cannabis-infused chocolate products then also available primarily in Colorado.

- In July 2021, we launched the critical initial pilot program for DehydraTECH™ licensing in Michigan with new licensee and commercialization partner Dehydr8, LLC ("**Dehydr8**"). We subsequently expanded Dehydr8's licensing and commercialization rights to include Illinois, Massachusetts and Oregon and began to develop those new markets.

- In November 2021, our legacy licensee Cannadips, the leading manufacturer of smokeless nicotine and tobacco free dips in the US, launched a new THC infused line of its top selling Cannadips CBD products in California.

- By the end of fiscal 2022 our U.S. footprint was up to eight states, representing a population of over 90 million people[4] (+305% vs. the 29.5MM with which we started the fiscal year) and an addressable market of $19.2B USD[5] in estimated 2022 total cannabis sales.

- With 1906's expansion into Ohio and Pennsylvania in Q1 of fiscal 2023, we now have an operating footprint in the U.S. covering ten states with a total population of 115MM[6] and an addressable market of approximately $21.5B USD in estimated 2022 cannabis sales[7]. That footprint covers states generating almost two-thirds of the addressable market of $33B USD in projected total U.S. cannabis sales for 2022[8], up from our coverage of less than one-quarter of total U.S. cannabis sales at the beginning of FY 2022.

Importantly, this licensing business unit has a very attractive financial structure. It is a low operating expense business, with even lower capital expense required of the Company. As the revenues continue to grow and make up a greater percentage of the total consolidated financials, we expect it to continue to improve the overall financial efficiency metrics of the Company and further drive our cash efficiency.

Hill Avenue Cannabis Brands

The (V)ia Regal cannabis-infused grape-based sparkling beverages were sold in Canada during fiscal year 2022 after being launched in May 2021. Following disappointing sales and challenges in the marketplace, the Company decided to withdraw the products from the market in September 2022. Four major factors drove the decision:

[4] US Census Bureau, https://www.census.gov/quickfacts/fact/table/US/PST045221
[5] MJBiz Factbook 2022
[6] US Census Bureau, https://www.census.gov/quickfacts/fact/table/US/PST045221
[7] MJBiz Factbook 2022
[8] MJBiz Factbook 2022

1. *The cannabis beverage market is in very early-stage development but is already highly saturated.* Beverages hover around only 2% cannabis market share in Canada and around 1% in the US[9]. Yet there is an exploding number of distinct products fighting for that small and relatively stable share, increasing from around ten products in June of 2020 to over 100 by January 2022 in Canada. That type of competitive intensity often drives price and margin compression as we've seen in other markets, as brands pay to secure scarce retail space and drop pricing to compete for consumer purchases.

2. *There are significant regulatory challenges in the Canadian cannabis market.* The regulatory limitations on cannabis promotion in Canada make it unfeasible for us to support a premium cost/premium priced product like (V)ia Regal. Because of Health Canada's interpretation of Canadian cannabis promotion regulations, we have had to withdraw multiple elements of our marketing tools and basic messaging around the core product proposition and ingredients.

3. *The (V)ia Regal business system is not financially efficient.* The supply chain and manufacturing model for (V)ia Regal was not financially efficient, unlike the key drivers of our success on our other two business lines. Hill Street took on significant amounts of inventory of alcohol-free wine - the base of the (V)ia Regal product, because of the long lead time order and production cycle for that base material. As we ordered bulk wine inventory based on early aggressive forecasts for the industry and, as early forecasts for the (V)ia Regal business did not materialize, we have had to write off significant amounts of that inventory due to code date expiration and spoilage

4. *The cannabis market size in Canada is relatively small vs. our US DehydraTECH™ opportunity.* Canada has a total population of 38MM, with addressable cannabis market sales estimated to be approximately CDN $4B in 2021. Contrast those figures with the US population of 115MM and approximately USD $21.5B market that we are currently operating with our DehydraTECH™ footprint in the US, and it's clear that the larger opportunity for our resources is DehydraTECH™ in the US. The dramatic difference in the financial efficiency and profitability of the two cannabis businesses amplifies the rationale to prioritize the US DehydraTECH™ business.

Key Executives Were Added During the Year to Drive the Company's Growth Agenda

Chief Legal Officer

Pearl Chan joined the Company on September 27, 2021 as its first Chief Legal Officer. This is a critical internal role for the Company given its global aspirations, the regulatory and geographical challenges of the cannabis industry overall and the work involved in the intellectual property licensing model associated with the DehydraTECH™ business.

Before joining Hill Street, Pearl served as General Counsel at public cannabis company Origin House prior to its acquisition by US multi-state operator Cresco Labs Inc. Notably in that role, she advised the CEO and led all legal aspects of the ~$1B sale transaction to Cresco Labs. Pearl also brings experience in a wide range of industries, including in psychedelics, CPG, technology, and energy.

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[9] "Cannabis Beverages: A look at category trends & performance", Headset 2022 Report, https://www.headset.io/industry-reports/cannabis-beverages-a-look-at-category-trends-performance#form

Pearl received her law degree from the University of Western Ontario, and her Bachelor of Business Administration from the University of Toronto.

Permanent CEO

Craig Binkley accepted the full-time CEO position on January 6, 2022. Craig has been on the board of Hill Street since 2016 and operated in the interim Co-CEO role along with fellow board member Lori Senecal from February 9, 2021 until accepting the full-time position.

Craig's operating successes began at The Coca-Cola Company, where he was Vice President of Coca- Cola Mexico after serving as Director of Global Marketing for diet Coke, developing and launching the Coca-Cola Light/Coke Zero brand globally. He also developed deep practical knowledge of non-carbonated, non-alcoholic beverage business operations as a Director at The Minute Maid Company, a division of The Coca-Cola Company.

Craig became a trusted business advisor to clients ranging from Fortune 100 CEOs and CMOs to small businesses and entrepreneurs as Chief Consulting Officer of the global strategy firm Zyman Group and as CEO of Northstar, a global strategic insights agency. His most relevant engagements for the Hill Street business included a broad range of global CPG and B2B companies in food, beverage and product ingredients as well as several global pharmaceutical clients.

Permanent CFO

Subsequent to the fiscal year end, the Company announced on October 12, 2022 that it had appointed Mr. Matthew Jewell as its permanent Chief Financial Officer. Mr. Jewell joins Hill Street from Next Green Wave Holdings Inc. ("**Next Green Wave**"), an integrated premium craft cannabis producer and CPG company in California that was publicly traded on the CSE until its acquisition by Planet 13 Holdings Inc. in March 2022. Mr. Jewell was the first full-time employee at Next Green Wave and led the company as its Canada-based CFO, from its inception until its eventual sale in a transaction valued at almost $100M.

In addition to his highly relevant cross-border background in both cannabis and CPG, Matt brings more than a decade of experience in emerging industries, providing strategic recommendations to the executive team and board of directors and guiding financial reporting, financial planning, HR, legal and operations.

Matt spent several years early in his accounting career as an auditor at KPMG and graduated from the University of Victoria with a Bachelor of Commerce.

FINANCIAL HIGHLIGHTS FOR THE FISCAL 2022 YEAR END

- ***Delivered outstanding consolidated net revenue growth of 46% YoY***

- ***Achieved gross profit increase of 37% YOY despite inventory write-offs from now-withdrawn (V)ia Regal cannabis beverage business***

- ***Decreased net loss by 16% YoY, driven by revenue and gross profit growth in concert with maintaining flat operating costs***

Consolidated Net Revenue Grew 46% for Fiscal Year 2022 vs. Fiscal Year 2021

Consolidated net revenue increased significantly versus prior year on each business:

1. Inventory shifts throughout the year impacted quarter-to-quarter sales comparisons on Vin(Zero) vs. prior year, with total revenues flat to year ago through the first three quarters of fiscal 2022. However, implementing the new, more efficient business model for Vin(Zero) in Q4 resulted in strong revenue gains. In addition to supporting ongoing consumer demand through our distribution and sales partners, we converted warehouse inventories to additional sales revenues in the quarter. Record Q4 net revenues of over $1.0MM more than doubled vs. prior year and powered the full year to 32% growth for the Vin(Zero) alcohol-free wine business.

2. The first full fiscal year of DehydraTECH™ licensing revenues brought the expansion of legacy licensees beyond the original four state operating footprint as well as the addition of new licensees adding revenue growth in new states and consumer form factors. Licensing revenues more than doubled for the fiscal year, even as many of the announced US state expansions, new licensees, or in-market product launches have not yet impacted the financials. The financial impact of those initiatives will begin in early fiscal year 2023.

3. (V)ia Regal sales were disappointing versus early expectations for the business but contributed marginally to the consolidated net revenue growth for the fiscal year.

Consolidated Gross Profit Grew 37% for the Fiscal Year

Consolidated gross profit increased 37% for the fiscal year driven by the revenue increases. Gross profit growth was tempered to a degree by write-offs of (V)ia Regal inventory as well as increases in costs and freight on the Vin(Zero) business.

The Net Loss Narrowed Substantially in Fiscal 2022

The net loss of $2,577,935 for the twelve months ended June 30, 2022 was a 16% improvement compared to a loss of $3,086,231 in the twelve months ended June 30, 2021. The improvement was driven primarily by a 37% increase in gross profit while maintaining flat operating expenses. If we remove the impact of the (V)ia Regal business, the net loss would have improved by a full 21% vs. a year ago.

Q4 HIGHLIGHTS

- ***Delivered record quarterly revenue, with 134% growth over Q4 of previous year***

- ***Record Q4 revenues driven by improvements made in re-engineering our alcohol-free beverage business, and more than doubling of DehydraTECH™ licensing revenues over the same period last year***

Record Q4 Consolidated Net Revenue More than Doubled Versus Q4 Previous Year

Q4 net revenues of over $1.2 MM more than doubled vs. Q4 a year ago, delivering 134% growth. This dynamic growth was driven primarily by the significant changes in our Vin(Zero) business model that began in Q4 as we streamlined the business, eliminated costs, and worked to improve the overall financials of this key business line. We converted existing warehouse inventories of Vin(Zero) to sales and also had a large shipment recognized as revenue when it arrived onshore in Q4, instead of the prior model that would have moved that shipment to warehousing and inventory.

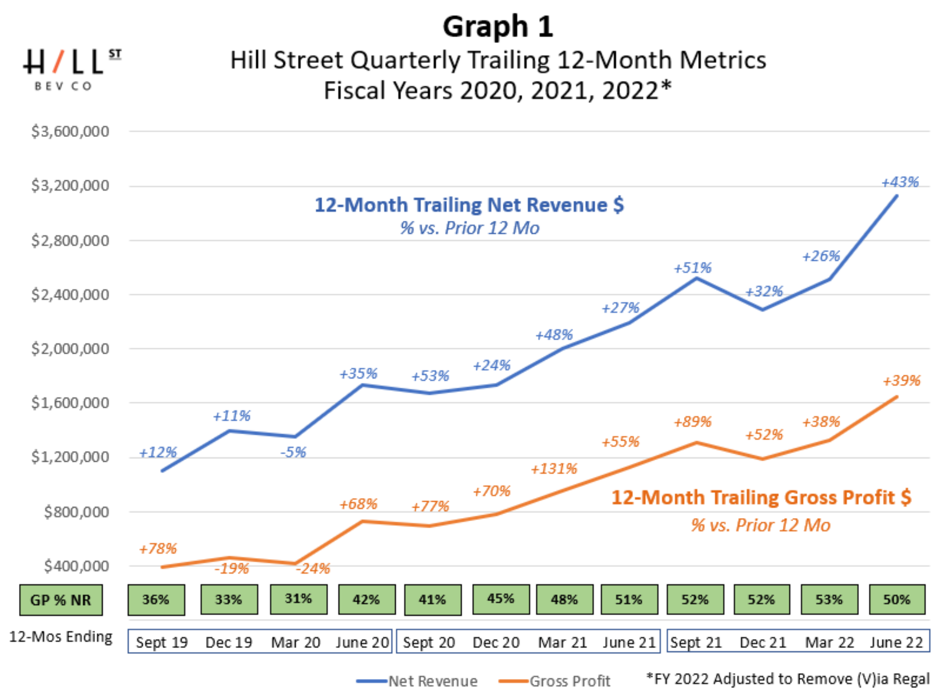
We anticipate seeing an impact in reduced revenue in Q1 FY 2023 from this strong Q4, but then we expect another strong Q2 FY2023, as we begin to recognize a new cadence of revenue patterns with this more efficient model. We will continue to provide longer-term views of the business to show the growth patterns, removing the impact of quarterly swings.

Additionally, cannabis licensing revenues more than doubled in Q4 vs. prior year, reflecting both an increased geographic footprint for legacy licensees as well as the continued impact of the early Dehydr8 efforts in Michigan. As previously announced, launches by Lume in Michigan, NEO Alternatives in Massachusetts and Folium Farms in Oregon have all taken place in early fiscal year 2023 and are not yet fully reflected in these strong FY2022 financials.

Trailing Twelve Month Trends Continue to Exhibit the Strength of the Growth Story

Graph 1 below shows the consolidated quarterly trailing 12-month figures ("**TTM**") for net revenue and gross profit from September 2019 to June 2022, which represents the three full fiscal years 2020, 2021 and 2022. The figures above each line represent the change vs. prior year. Additionally, the figures in the green boxes represent the gross profit margin expressed as a % of net revenue.

As communicated previously, TTM net revenues have been increasing consistently between 24% and 53% since Q4 of fiscal 2020 – a period of nine quarters. TTM gross profits have been increasing even more rapidly over time, and the profit margin on the business has increased significantly from 31% in Q3 2020 to a sustained level above 50% for the last five quarters. Driving profitable growth is our mission and these key financial metrics indicate that we've been successful at that.



RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the years ended June 30, 2022, June 30, 2021 and June 30, 2020.

Results for the Year Ended	June 30, 2022	June 30, 2021	June 30, 2020
Gross Revenue	**$3,660,008**	**$2,753,481**	**$2,613,923**
Chargebacks, finance fees, and listing fees	**($447,685)**	**($558,567)**	**($883,068)**
Net Revenue	**$3,212,323**	**$2,194,914**	**$1,730,855**
Direct Costs	**($1,675,231)**	**($1,071,284)**	**($1,004,806)**
Gross Profit	**$1,537,092**	**$1,123,630**	**$726,049**
Operating Expenses (excl. One-time & Non Cash)	**($2,929,107)**	**($2,829,462)**	**($2,453,643)**
One-time Expenses	**($180,006)**	**($167,548)**	**($1,242,075)**
Non Cash Expenses	**($911,140)**	**($1,075,035)**	**($676,940)**
Loss before other Income (Expense)	**($2,483,161)**	**($2,948,415)**	**($3,646,609)**
Other income (Expenses)			
Foreign exchange gain (loss)	$901	($5,393)	($7,975)
Gain on favourable interest rate	-	$6,541	$17,939
Gain on settlement of liability	$2,288	$137,480	$43,217
Gain (loss) on fair value of Consideration	$69,308	($259,216)	-
Loss on impairment of assets held for sale	($54,055)	-	-
Loss on impairment of intangibles	($5,629)	-	($8,000)
Write-off of inventory	($115,906)	($17,258)	($80,445)
Other income	$8,319	$30	$194
Income (Loss) and comprehensive income (loss) for the period	**($2,577,935)**	**($3,086,231)**	**($3,681,679)**
Basic and diluted loss per common share	**($0.01)**	**($0.02)**	**($0.04)**
Weighted average number of common shares outstanding	**214,618,160**	**141,775,866**	**104,401,665**

REVENUES

For the year ended June 30, 2022, net revenues increased 46% to $3,212,323 compared to $2,194,914 in the year ended June 30, 2021. Net revenues are a better reflection of the revenue health of our consolidated business, both on the alcohol-free side as well as our cannabis-related business initiatives.

The increase in net revenue was driven primarily by the changes in the Vin(Zero) business model as well as increased revenues from cannabis-related lines of business. For the twelve months ended June 30, 2022, chargebacks and listing fees on Vin(Zero) were also reduced to 12% of gross revenues, down from 20% for the twelve months ended June 30, 2021. Chargebacks are fees charged by retailers and distributors for marketing programs and discounts, as well as other fees or penalties. Chargebacks for the year were $447,685 vs. $558,567 for the prior year.

Gross revenues for the year ended June 30, 2022 were $3,660,008 compared to $2,753,481 for the prior year in 2021. The increase of 33% compared to the prior year ended June 30, 2021 again was due to the changes in the Vin(Zero) business system as well as the growing cannabis licensing revenues.

COST OF SALES/DIRECT COSTS

Cost of sales were $1,675,321 or 46% of gross revenue for the year ended June 30, 2022 compared to $1,071,284 or 39% of gross revenue for the year ended June 30, 2021. This nine percentage point increase over the twelve months ended June 30, 2021 was driven by increased finished goods costs and higher freight costs on the Vin(Zero) alcohol-free business. The Company absorbed cost increases in Q4 on alcohol-free finished goods, as a result of both higher input wine and other material costs that will be reflected in price increases that have been implemented with retailers in FY 2023.

OPERATING EXPENSES (EXCLUDING ONE-TIME & NON-CASH)

Ordinary operating expenses include selling and marketing expenses, employee expenses, donations, dues & licenses, professional fees, and other general and administrative expenses. For the year ended June 30, 2022, operating expenses were relatively flat at $2,929,107, compared to $2,829,462 for the year ended June 30, 2021, despite significant revenue growth on the business this fiscal year. The operating expenses included an increase in wages and salaries, but these increases were offset by decreases in professional fees and consulting fees as the Company strategically chose to bring certain professional resources in-house and to reduce the outsourced expenses incurred for those capabilities in previous years.

OPERATING EXPENSES – ONE TIME

In addition to ordinary operating expenses, for the year ended June 30, 2022, one-time expenses were $180,006 relating to severance and recruitment fees compared to one-time expenses of $167,548 in the previous year.

OPERATING EXPENSES - NON-CASH

For the year ended June 30, 2022, the Company incurred non-cash expenses totaling $911,140 which includes expenses related to the vesting of stock options, restricted share units, depreciation, and accretion expense, and accrued interest. For the prior year ended June 30, 2021, the Company incurred non-cash expenses of $1,075,035.

OTHER EXPENSES

For the year ended June 30, 2022, the Company incurred other expenses totaling $94,774. This includes a write-down of $115,906 related to inventory for (V)ia Regal and a $54,055 loss on impairment for a canning and bottling line held for sale. This is partially offset by a $69,308 for a gain on fair value of consideration on shares owed to Lexaria as deferred payment for the DehydraTECH rights acquisition. For the year ended June 30th, 2021, the Company incurred other expenses totaling $137,816. This includes a $137,480 for the gain on settlement of liabilities and $259,216 for a loss on fair value of consideration.

NET EARNINGS

The Company improved net earnings by 17%, recording a net loss of $2,557,935 for the year ended June 30, 2022 compared to a loss of $3,086,231 in the year ended June 30, 2021. The improvement in net earnings was driven primarily by an improvement in gross profit of 37% driven by increased sales. In addition, operating expenses remained flat and there was a 31% decrease in other income and expenses mainly due to a loss on fair value consideration and offset by a gain on settlement of liability.

The basic and diluted loss per share for the year ended June 30, 2022, was $0.01 per share. The basic and diluted loss per share for the year ended June 30, 2021, was $0.02 per share.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for the quarters indicated below, representing the fiscal years 2021 and 2020:

	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020
Gross Revenue	$1,434,354	$988,549	$576,622	$660,483	$718,755	$774,747	$875,529	$384,450
Net Revenue	$1,217,904	$880,943	$508,737	$604,739	$519,194	$655,259	$745,749	$274,712
Direct Costs	$746,451	$406,183	$252,280	$270,317	$261,583	$317,155	$363,840	$128,706
Gross Profit	$471,453	$474,760	$256,457	$334,422	$257,611	$338,104	$381,909	$146,006
Net Loss (gain)	$845,206	$433,693	$699,476	$599,560	$1,469,469	$660,387	$480,522	$475,853
Total Assets	$6,157,841	$6,504,174	$6,551,448	$7,125,001	$7,609,334	$5,935,113	$6,438,534	$1,368,840
Total Liabilities	$3,401,537	$3,225,247	$3,241,881	$3,161,015	$3,632,174	$5,031,004	$4,941,526	$1,600,388
Shareholder Equity	$2,756,304	$3,278,927	$3,309,567	$3,963,986	$3,977,160	$904,109	$1,497,008	($231,548)

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Company's principal capital needs are for operating expenses related to inventory, general and administrative, and marketing expenses for its two main lines of business. The Company's alcohol-free business requires significant investments in finished goods inventory that are not necessary in the cannabis-related licensing business. However, at the end of the year ended June 30, 2022, the Company implemented a new inventory and commercial operations plan that minimizes inventory and warehousing, ultimately expediting the order to sales and cash cycles.

Additional investments are being made to support the Company's DehydraTECH™ licensing business to monetize the DehydraTECH™ intellectual property and, when the Company considers appropriate, invest in product R&D and concept development on the cannabis infused edible categories utilizing our patented DehydraTECH™ technology as the backbone.

WORKING CAPITAL

As of June 30, 2022, the Company had a cash balance of $1,153,195 with $1,343,994 in accounts receivable compared to a cash balance of $2,722,141 with $361,231 in accounts receivable as at June 30, 2021. The driver of the increase in accounts receivable relates to timing of the large alcohol-free sale at the end of the 2022 fiscal year.

Balances for the Year Ended	June 30, 2022	June 30, 2021
Cash and cash equivalents	$1,153,195	$2,722,141
Accounts receivable	$1,343,994	$361,231
Total Cash + Accounts receivable	$2,497,189	$3,083,372

As of June 30, 2022, the Company had a positive working capital of $1,530,006 compared to a positive working capital of $2,309,895 for June 30, 2021. The year-over-year change primarily relates to reduction in finished goods inventory due to our new Vin(Zero) business model as well as a write-down of inventory related to the Via Regal business.

CASH FLOWS

During the year ended June 30, 2022, Hill Street had a significant 25% improvement in cash flows from operations, with negative cash flow of $1,748,980 compared to negative cash flow of $2,325,544 during the year ended June 30, 2021. This significant improvement as compared to the previous year demonstrates how our revenue growth does not require commensurate cost increases, as well as the Company's increased focus on overall cost and cash management.

CHANGES IN CASH FLOW YEAR OVER YEAR

Results for the Year Ended	June 30, 2022	June 30, 2021	YoY Improvement
Operating cash flow	($1,748,980)	($2,325,544)	25%
Monthly cash burn	($145,748)	($193,795)	25%

The amount of cash used in investing activities in the year ended June 30, 2022 was $100,903 compared to $400,316 in the year ended June 30, 2021. This decrease as compared to the previous year was due to the Company's acquisition of Lexaria assets. The amount of cash generated in financing activities during the year ended June 30, 2022 was $280,937 compared to $4,747,570 in the twelve months ended June

30, 2021. This decrease as compared to the previous year was primarily due to the Company's private placements in the year ended June 30, 2021.

The Company is prioritizing the push to achieve positive quarterly cash flow without additional fundraising through its revenue generating and cost containment measures.

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations for future periods is as follows:

	Payments due by Period				
Contractual Obligations	**FY2023**	**FY2024-FY2025**	**FY2026-FY2027**	**FY2028+**	**Total**
Accounts payable and accrued liabilities	$987,646	-	-	-	$987,646
Lease liability	$22,344	$46,240	$15,826	-	$84,410
CEBA loan	$60,000	-	-	-	$60,000
Note payable	$113,176	$447,565	$551,837	$1,177,006	$2,289,767
Total	$1,183,349	$493,805	$567,663	$1,177,006	$3,421,823

SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares of which 224,640,400 Common Shares are issued and outstanding as of the date hereof.

During the fiscal year ended June 30, 2022, the Company issued:

- 6,457,000 Common Shares pursuant to the exercise of outstanding warrants; and
- 11,764,706 Common Shares to Lexaria, in satisfaction of deferred payment obligations for the acquisition by Hill Street of the global rights to the DehydraTECH™ patent portfolio to produce non-pharmaceutical products containing 0.3% or greater, THC and other psychoactive cannabinoids.

CAPITAL RESOURCES

As of June 30, 2022, the Company did not have commitments for capital expenditures.

OFF BALANCE SHEET ARRANGEMENTS

Hill Street does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company considers its executive officers and directors to be key management personnel. The Company incurred the following amounts to related parties during the respective periods for key management personnel compensation.

During year ended June 30,	2022	2021
Total salaries, benefits and management fees	$1,083,946	$1,010,815
Stock-Based compensation	$356,629	$480,744
Management and Director Compensation	$1,440,575	$1,491,559

Included in accounts payable as at June 30, 2022 is $504,665 (June 30, 2021: $294,287) payable to directors and officers of the Company for management wages. The amount is non-interest bearing and unsecured.

During the year ended June 30, 2022, a control person of the Corporation exercised 6,457,000 warrants in the Corporation at an exercise price of $0.05 per warrant, which warrants were originally issued in a private placement financing of the Corporation on May 4, 2020.

FOURTH QUARTER

The following table summarizes certain financial information of the Corporation for the three months ended June 30, 2022, June 30, 2021 and June 30, 2020.

Results for the Quarter ended	June 30, 2022	June 30, 2021	June 30, 2020
Gross Revenue	$1,434,354	$718,755	$623,450
Chargebacks and listing fees	($216,450)	($199,561)	($299,846)
Net Revenue	$1,217,904	$519,194	$323,604
Direct Costs	($746,451)	($261,583)	($231,176)
Gross Profit	**$471,453**	**$257,611**	**$92,428**
Ordinary Operating Expenses	**($752,040)**	**($776,938)**	**($395,349)**
One-time Expenses	**($154,360)**	**($117,001)**	**($107,965)**
Non Cash Expenses	**($286,757)**	**($611,991)**	**($41,859)**
Loss before other Income (Expense)	**($721,704)**	**($1,248,318)**	**($452,745)**
Other income (Expenses)			
Foreign exchange (loss) gain	($6,469)	($18,876)	($8,310)
Write-off of inventory	($95,327)	($15,723)	($56,979)
Loss on impairment of assets held for sale	($37,417)	$0	$0
Loss on impairment of intangibles	($5,629)	$0	$0
Gain on favourable interest rate	$0	$0	$17,939
Gain on fair value of consideration	$20,945	($259,216)	$0
Gain on debt conversion	$0	$1,168	$0
Gain on settlement of liability	$1,130	$71,497	$43,217
Other income	($735)	$0	$194
Income (Loss) and comprehensive Income (loss) for the period	**($845,206)**	**($1,469,469)**	**($456,685)**

REVENUES

Net revenues for the three months ended June 30, 2022, were $1,217,904 compared to $519,194 in the same period year ago. This 135% increase reflects the changes in the Vin (Zero) business model, including the shift of warehouse inventories to sales and a large alcohol-free sale at the end of Q4. The growth of our cannabis-related licensing business also supported this growth year over year for the quarter.

During the three months ended June 30, 2022, gross revenues were $1,434,354 compared to $718,755 for the three months ended June 30, 2021, representing an increase of 100%, again driven by the large alcohol-free sales at the end of Q4 and the growth of our cannabis-related licensing business.

COST OF SALES/DIRECT COSTS

Direct costs were $746,451 or 52% of gross revenue for the three months ended June 30, 2022 compared to $261,583 or 36% for the three months ended June 30, 2021. The year-over-year increase was driven by the previously mentioned large alcohol-free sales coupled with higher freight costs associated with that business. The Company also absorbed cost increases in Q4 on alcohol-free finished goods, as a result of both higher input wine and other material costs that will be reflected in price increases that have been implemented with retailers in FY 2023.

OPERATING EXPENSES - ORDINARY

For the three months ended June 30, 2022, operating expenses totaled $752,040 compared to $776,938 for the three months ended June 30, 2021, representing a decrease of $58,567 in operating expenses this fiscal year, despite achieving significantly larger gross and net revenues.

OPERATING EXPENSES - ONE TIME

In addition to ordinary operating expenses, the Corporation incurred a number of one-time expenses. For the three months ended June 30, 2022, one-time expenses totaled $154,360 relating to expenses for fees related to severance and recruitment fees, compared to one-time expenses in the same quarter previous year that totaled $117,001.

OPERATING EXPENSES - NON-CASH

For the three months ended June 30, 2022, the Corporation incurred non-cash expenses totaling $286,757, including depreciation and accretion expenses, stock options and accrued interest, as compared to non-cash expenses of $611, 991 in the same quarter in the previous fiscal year. The expenses were higher in this fiscal Q4 due to amortization of intangibles, the revaluation of stock options, accretion expense and accrued interest on the promissory note.

OTHER EXPENSES

For the three months ended June 30, 2022, the Corporation had other expenses totaling $86,085. The overall expense was driven by a $95,327 write-down of inventory related to (V)ia Regal and an offset partially by a gain on fair value of consideration of $20,945. For the three months ended June 30, 2021, the Corporation had other expenses totaling $221,150 driven by a loss on fair value of consideration of $259,216 which was offset a gain on settlement of liability of $71,497.

NET EARNINGS

The Corporation recorded a net loss of $845,206 for the three months ended June 30, 2022, compared to a net loss of $1,469,469 for the three months ended June 30, 2021. The improvement in net loss was driven by lower general and administrative expenses, lower consulting fees and non-cash items like stock-based compensation and depreciation.

LEGAL PROCEEDINGS

During the fiscal year, a former employee filed a claim against the Company in the amount of $500,000 for employment-related compensation. The Company is defending the claim and denies any liability in connection with this claim.

OUTSTANDING SHARE DATA

As of October 28, 2022, the Company has the following securities issued and outstanding

Security Designation	Number issued and outstanding
Common Shares	224,640,400
Warrants to purchase Common Shares	59,619,544
Incentive Stock Options	11,355,575
Restricted Share Units	11,471,223
Maximum Fully Diluted	**307,086,742**

CRITICAL ACCOUNTING ESTIMATES

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Calculation of the net book value of machinery and equipment requires management to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the balance sheet.

GOING CONCERN

As at June 30, 2022, the Company had not yet achieved profitable operations, had a net loss of $2,577,935 (June 30, 2021: $3,086,231), accumulated deficit of $22,223,571 (June 30, 2021: $19,645,636), and expects to incur further losses in the foreseeable future, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID-19

During the year, there was the continued global outbreak of COVID-19 (coronavirus), which has had an impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Company's operations were impacted by COVID-19 due to a slower growth in year over year sales than anticipated. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.