HILL STREET BEVERAGE COMPANY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE-MONTH PERIOD ENDING SEPTEMBER 30, 2020

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 months ended September 30, 2020 in comparison with the three months ended September 30, 2019. These comments should be read in conjunction with the audited financial statements for the years ended June 30, 2020 and June 30, 2019 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 November 30, 2020. 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 November 30, 2020 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. The forward-looking statements, including the statements regarding expected volumes, operating efficiencies, and costs are based on, among other things, the following material factors and assumptions: sales volumes in the quarter will increase; no material changes in consumer preferences; brewing, blending, and packaging efficiencies will improve; the cost of input materials for brewing and blending will increase; competitive activity from other manufacturers will continue; foreign currency exchange rates will change; no material change to the regulatory environment in which Hill Street operates and 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 November 30, 2020 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

The Company presently has two business segments; the marketing and distribution of alcohol-free beer and wine in Canada (and, to a much lesser extent, the United States), and the pending launch of cannabis infused beverages in Canada. The Company is also preparing to launch a new line of business in 2021 based on recently announced acquisition of the assets of Lexaria Canpharm, the cannabis subsidiary of Lexaria Bioscience. The new business segment will market and sell food and cosmetic ingredients infused with cannabis and hemp extracts to companies who are licensed by Health Canada to manufacture Cannabis 2.0 products under the Cannabis Act, as well as license the technology platform developed by Lexaria to international companies for use in specific regions and market segments. Cannabis 2.0 products include all edible and topic forms of cannabis, as well as vapor pens. Hill Street is focusing only on the edible and topical formats included in the Cannabis 2.0 market. Hill Street currently sells its alcohol-free products direct to both consumers and wholesalers at www.hillstreetbeverages.com and in thousands of branded retail chain stores through established distributors in Canada. During this quarter, Company announced its formal plans to launch Cannabis infused beverages and other cannabis products, including drink mixes, tablets, and infusion ingredients for the wholesale market, in late 2020 and throughout 2021.

Q1 HIGHLIGHTS

Hill Street's net income improved significantly for the fiscal first quarter, year over year. Focused marketing and cost management resulted in a net Income improvement of $1,049,752 or 69% for the first quarter, year over year. Hill Street's gross revenue for the period was impacted by COVID-19; down by 25% to $384,450 in the first quarter from $513,766 in the prior year's quarter. The decline was partially offset by a significant increase in online sales. Sales in this channel can be attributed to greater consumer adoption and buying expectations in an online format. Additionally, shopping patterns that were established in the lock down period earlier in the year translated into higher online sales as consumers shifted their buying patterns to more ecommerce base.

The Company continued planning for its licensed cannabis operations at the Lucknow facility, strategically located near Pearson Airport in Mississauga, Ontario. Construction on the facility continues to be delayed due to regulatory issues, capital constraints, and focus of the company's limited resources on the launch of its first cannabis infused beverages. The Company has continued preparations and planning to have the facility licensed for cannabis processing and sales of the products stemming from the acquisition of the technology platform from Lexaria Biosciences. The Lucknow facility will also serve as a warehouse for cannabis infused products produced for the consumer market, as well as the processing facility for the cannabis powder the Company plans to begin selling as an ingredient to cannabis 2.0 product manufacturers.

During the quarter, the Company continued its search for cannabis extraction partners to become resellers of its cannabis powder products, which we believe will provide tremendous benefits to the cannabis oil extraction sector. Cannabis oil is an unstable product, declining in potency at a rate of 10-40% per year. The DehydraTECH process developed by Lexaria converts this unstable oil into shelf stable ingredients proven to decline in potency at only 0.2% per year. The DehydraTECH process can be used to infuse cannabis extracts into any edible or topical form of product, including meat, fish, eggs, dairy, beverages, cocoa, coffee, tea, herbs, spices, sugar, salt, and flour-type products. The Company has identified several extraction companies who match the criteria we have established to act as resellers of cannabis powder and has entered negotiations with them to act in this capacity as soon as the Lucknow facility is operational.

Subsequent to the quarter, the Company announced that it has signed a non-binding Term Sheet with Molecule Holdings Inc. ("Molecule") to produce select cannabis infused beverages for Hill Avenue Cannabis Co., the wholly owned subsidiary of Hill Street created to manage its business in the legal cannabis segment. The Notice of New Product Introduction to Health Canada was filed on October 1, 2020 for the first beverages to be produced by this relationship. This begins the sixty-day notice period wherein the two companies can begin arranging sales and distribution agreements with provincial regulators and independent retailers. The three year long agreement will include both formulating and manufacturing beverage products using proprietary infusion technologies provided either by Molecule or Hill Street's previously announced Joint Manufacturing Partnership with Lexaria Biosciences, once Hill Street's Cannabis Processing Facility has been licensed by Health Canada under the Cannabis Act.

Following the announcement of the manufacturing partnership with Molecule, the Company announced its intention to launch the first products emanating from this partnership in fastest possible way to get to market. The Company is using the liquids from its Shiraz and Sparkling Brut non-alcoholic wines available in major retailers as the basis for the first two products to be produced by Molecule, providing consumers with a familiar taste profile to enjoy these early entrants. The Company also announced its first cannabis infused beverage brand, (V)ia SPRZA, sparkling beverages made with alcohol free wines, and sparkling water; infused with 10mg of THC. The announcement generated significant awareness and response from the Company's social media channels, with engagement from consumers with those posts significantly higher than any other press release or marketing content the Company has issued since the Hill Street Challenge campaign in January 2019.

Overall, for the three months ended September 30, 2020, the Company reports a decrease in revenues of 25% versus the prior year. The Company continues to monitor the markets for alcohol free and cannabis 2.0 products to ensure its products remain relevant and appealing to premium consumers.

The Company has seen a dramatic uptick in revenues from ecommerce, especially in sales to the US market. Ecommerce revenues increased 124% during the first quarter of the fiscal year, year over year. The company plans on leveraging this new shift in consumer buying behaviour from bricks and mortar to ecommerce by opening additional sales channels through US digital retailers such as Amazon.com in advance of launching its products formally in US retailers, and securing partnerships with major US beverage distributors.

Social media activity and consumer sentiment towards the Company's brands has trended higher with increased positive reviews and mentions from a number of key social media influencers specific to the alcohol-free segment in both Canada and the USA. While the online segment remains a small fraction of the Company's retail business, it is a much higher margin business segment when consumers order a case of six bottles of wine or more. Both distribution and retail partners costs are eliminated from the transaction, while being replaced by the cost of home delivery services and fulfillment centres. Average order size has significantly increased over historical averages, and sales to the US market continue to show great promise, as consumer awareness and demand for high quality alternatives to alcohol increases.

INNOVATIVE PRODUCTS AND ADDRESSABLE MARKETS

Product Innovation

In the cannabis-infused market, Hill Street continued to make progress on its plans to create a licensed manufacturing facility for edibles and other Cannabis 2.0 offerings. Hill Street introduced the (V)ia SPRIZA in the first quarter and plans to introduce a number of other new products in 2021 based on its infusion platform licensed from Lexaria Bioscience, including ready-to-drink beverages, beverages mixes, and edible forms of cannabis designed to meet the existing market expectations and consumer demand. The Company expects to be an innovator in the category, driving new product formats and introducing better tasting and better experience products for consumers.

MARKETING

During the quarter, Hill Street continued its measured and prudent approach to marketing its brands, focusing on organic reach through its social media channels, and driving consumer purchase through trade promotion in major retailers. As a result, organic social media interactions, engagement with influencers in the alcohol-free segment, and genuine customer reviews have increased noticeably. Based on these results, Hill Street will continue with this strategy and expand its focus and investment into ecommerce related activities going forward.

Hill Street continued on-shelf promotions at Canadian retail continued in the quarter, with the objective to test and measure promotion spend versus sales lift. This strategy continues to provide key information to inform future product development and pricing strategies.

The Company continued to develop its wholesale, dropship, and direct to consumer support systems in the USA as it continues to prudently develop its plans for a more concerted effort to drive revenues from the US market. This included continuing to build relationships with key alcohol-free ecommerce and wholesale partners in the US market.

SOCIAL RESPONSIBILITY

Hill Street and its wholly owned subsidiary Hill Avenue Cannabis remain committed to discovering ways to mitigate excess packaging, reduce overall waste and to find solutions that align with its mission to make an impactful difference in the lives of its customers. As the plans for the introduction for the suite of Cannabis 2.0 products evolve, research into sustainable packaging solutions continues.

Corporately, the Company continues to remain steadfast in providing a small portion of its sales to charitable causes researching treatments into conditions that are either caused or worsened by alcohol consumption. Hill Street has now provided over $2 Million in donations from its sales, which the Company believes drives increased consumer and retailer loyalty to its brands. The Company intends to reinforce this key positioning strategy more prominently on newly redesigned product labels to encourage on-shelf purchasing decisions.

SELECTED ANNUAL INFORMATION

RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the three months ended September 30th, 2020 and the three months ended September 30th, 2019.

Results for the Year Ended	Quarter Ended Sept 30, 2020	Quarter Ended Sept 30, 2019
Gross Revenue	$384,450	$513,766
Chargebacks and listing fees	($109,738)	($184,327)
Net Revenue	$274,712	$329,439
Direct Costs	$128,706	$152,036
Gross profit	**$146,006**	**$177,403**
Ordinary Operating Expenses	**$450,720**	**$1,002,158**
Other One-time Expenses	**$4,500**	**$545,850**
Non-Cash Expenses	**$166,621**	**$154,982**
Gain (Loss) before other Income	**($475,835)**	**($1,525,587)**
Other income (Expenses)		
Foreign exchange (loss) gain	1,517	($12,324)
Write-off of inventory	($1,535)	$0
Write-off of intangibles	$0	($8,000)
Charges relating to public company listing	$0	$0
Other Income	$0	$0
Income (Loss) and comprehensive Income (loss) for the period	**($475,853)**	**($1,545,911)**
Basic and diluted income (loss) per common share	**($0.01)**	**($0.02)**
Weighted average number of common shares outstanding	**112,085,463**	**96,845,070**

REVENUES

During the three months ended September 30, 2020, gross revenues were $384,450 compared to $513,766 for the three months September 30, 2019. The decrease of 25% compared to September 30, 2019 was due in part to COVID-19 related manufacturing delays caused by lock-down at the overseas manufacturer. This contributed to significant out of stock positions at major grocery retail for much of the period. Additionally, the Company undertook the strategic decision to discontinue the holiday gift pack program which would have had sales reflected in this quarter within 2019. This decision reflects the underperformance of the product against sell through expectations on-shelf in years prior. These decreases were partially offset by significant increases in on-line sales quarter over quarter by 124%.

Net revenues for the three months ended September 30, 2020 were $274,712 compared to $329,439 in the three months ended September 30, 2019, representing a decrease of 17% driven by lower chargebacks and listing fees. For the three months ended September 30, 2020, chargebacks and listing fees represented 29% of gross revenues compared to 36% for the three months ended September 30, 2019. Chargebacks are fees charged by retailers and distributors for program money and discounts. Listing fees were $nil, for the three months ended September 30, 2020 and $30,000 for the three months ended September 30, 2019.

COST OF SALES/DIRECT COSTS

Direct costs were $128,706 or 34% of gross revenue for the three months ended September 30, 2020 and $152,036 or 30% of gross revenue for the three months ended September 30, 2019. This is a 4% percentage point increase over the three months ended September 30, 2019 was driven by lower margins by the sale of close-code product.

OPERATING EXPENSES - ORDINARY

Ordinary operating expenses include selling & marketing expenses, employee expenses, donations, dues & licenses, professional fees, and other general and administrative expenses. For the three months ended September 30, 2020, operating expenses totaled $450,720 compared to $1,002,158 for the three months ended September 30, 2019. The principal drivers of the $551,438 decrease in operating expenses were: lower marketing expenses, donations and professional fees. Marketing expenses were $57,432 compared to $164,266 for prior quarter. Donations, Dues and Licenses were $6,482 compared the $158,536 in prior year's quarter primarily due to the termination of a partnership agreement that totaled $113,500 in FY20Q1. Professional fees were lower quarter over quarter mainly driven by a reduction in legal expenses of $80,518 and an additional decrease in investor relations of $89,633 for the three months ended September 30, 2020.

OPERATING EXPENSES – ONE TIME

In addition to ordinary operating expenses, for the three months ended September 30, 2020, one-time expenses were $4,500 relating to severance payments. For the three months ended September 30, 2019 one-time expenses totaled $154,982 relating to M&A and a cannabis investment.

OPERATING EXPENSES - NON-CASH

For the three months ended September 30, 2020 the Company incurred non-cash expenses totaled $166,621, which includes expense related to the stock options, depreciation, the expense of warrants issued in exchange for marketing services, accretion expense on convertible debentures and interest free CEBA loan and lease interest expenses. For the three months ended September 30, 2019 the Company incurred non-cash expenses of $154,982 for expense for depreciation and stock options.

OTHER EXPENSES

For the three months ended September 30, 2020, the Company incurred other expenses totaling $18. These expenses include $1,517 for gains in foreign exchange and a loss for the write off inventory for $1,535.

For the three months ended September 30, 2019, the Company incurred other expenses totaling $20,324. This included losses for foreign exchange that totaled $12,324 and $8,000 for the write off of Intangible assets for the capitalized Cannabis Production license.

NET EARNINGS

The Company recorded a net loss of $475,853 for the three months ended September 30, 2020 compared to a loss of $1,545,911 in the three months ended September 30, 2019. The improvement in net earnings of 69% was driven by cost reduction strategies and reduced M&A costs.

The basic and diluted loss per share for the three months ended September 30, 2020 was $0.01 per share. The basic and diluted loss per share for the three months ended September 30, 2019 was $0.02 per share.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for the quarters indicated below:

	Sept 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	June 30, 2019	Mar 31, 2019	Dec 31, 2018
Gross Revenue	$384,450	$623,450	$502,997	$973,710	$513,766	$506,721	$603,854	$527,652
Net Revenue	$274,712	$323,604	$388,536	$689,276	$329,439	$55,100	$428,355	$395,356
Direct Costs	$128,706	$231,176	$226,366	$395,228	$152,036	$164,193	$219,736	$169,569
Gross Profit	$146,006	$92,428	$162,710	$294,048	$177,403	$219,293	$208,619	$225,787
Net Loss (gain)	$475,853	$456,685	$796,425	$882,658	$1,509,913	($6,711,371)	$1,074,283	$1,443,020
Total Assets	$1,368,840	$2,016,673	$1,594,737	$2,225,062	$1,908,157	$3,004,909	$2, 216,288	$2,997,226
Total Liabilities	$1,600,388	$1,831,278	$1,242,007	$1,198,761	$882,662	$627,141	$829,799	$743,463
Shareholder Equity	($231,548)	$185,395	$352,730	$1,026,301	$1,025,495	$2,377,768	$1,386,489	$2,253,763

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Corporation's principal capital needs are for inventory, and operating expenses related to employee and marketing expenses. Additional investments are being made to support the cannabis infused beverages market. Since its formation, the Company has financed its additional cash requirements through revenues generated from operations, issuance of securities and borrowing from shareholders and other lenders.

The Company has positive working capital and will continue to focus on cost management and revenue growth. Subsequent to the quarter end, the Company closed a non-brokered private placement of units, with gross proceeds of $850,950.

WORKING CAPITAL

Working capital represents current assets less current liabilities. As of September 30, 2020, the Company had a positive working capital of $214,320 compared to a working capital of $571,611 for the three months ended September 30, 2019.

CASH FLOWS

During the three months ended September 30, 2020, Hill Street had negative cash flows from operations of $470,282 compared to negative cash flow of $933,381 during the three months ended September 30, 2019. The amount of cash (used) in investing activities in the three months ended September 30, 2020 was $10,659 compared to $2,240 in the three months ended September 30, 2019. The amount of cash used in financing activities in during the three months ended September 30, 2020 was $5,297 compared to cash generated for $71,200 in the three months ended September 30, 2019.

CONTRACTUAL OBLIGATIONS

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

	Payments due by Period					
Contractual Obligations	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**Total**
Contractual Royalty Obligations	$42,000	$77,000	$77,000	$77,000	$77,000	$350,000
Operating Leases	$22,624	$30,656	$20,656	$0	$0	$73,935
Purchase Obligations	$108,417	$66,750	$0	$0	$0	$175,167
Total	$173,041	$174,406	$97,656	$77,000	$77,000	$599,102

SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares of which 112,204,609 Common Shares are issued and outstanding as of the date hereof.

CAPITAL RESOURCES

As of September 30, 2020, 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 three-month period ended September 30,	**2020**	**2019**
Total salaries, benefits and management fees	$184,137	$157,245
Stock-Based compensation	$43,696	$89,518
Management and Director Compensation	227,833	$246,763

Included in accounts payable as of September 30, 2020 is $322,843 (June 30, 2020: $337,682) payable to Directors and Officers of the Company for management compensation. The amount is non-interest bearing, unsecured and due on demand.

On December 23, 2019, management and board members participated in a non-brokered private placement financing of units ("Units") for gross proceeds of $250,000 at a price of $0.06 per Unit. Each Unit consists of one common shares and one warrant, with each warrant entitling the holder thereof to purchase one common share in the capital of the Company at a price of $0.13 per share for a period of two years from closing, subject to acceleration.

As of September 30, 2020, the company had $815,957 (June 30, 2020: $770,485) of related party convertible debt related to a private placement financing on May 4, 2020 for gross proceeds of $1,022,500 at a price of $1.00 per Unit. Each Unit is comprised of $1.00 principal amount of secured convertible debentures and 20 common share purchase.

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 our 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 methodologies 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 useful 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.

The amortization of the Company's intangible assets involves estimates of their useful lives. Such estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company's intangible assets.

When valuing options, management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected plan lives, underlying share price volatility and forfeiture rates. Volatility is estimated by considering peer companies historic share price volatility over similar periods to the expected life of the awards under consideration. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in the consolidated statements of loss and comprehensive loss.

When valuing warrants, similar to other stock-based compensation, management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected life, and underlying share price volatility. Volatility is estimated by considering peer companies historic share price volatility over similar periods to the expected life of the warrants. Changes in these assumptions will impact the calculation of fair value and the value attributed to the warrants.

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

When determining the discount rate used to estimate the fair value of the debt component of the convertible debenture and the fair value of the CEBA loan, the Company considers market conditions and other internal and external factors. The Company estimates its credit rating and benchmarks the discount rate to certain fixed income indices.

In some contracts, the Company transfers control of a product to distributors and grants the distributors the right to return the product for a full or partial refund in the scenario that products are to expire in the hands of the distributor. To account for the transfer of products with a right of return, the Company recognises revenue for the transferred products in the amount of consideration to which the Company expects to be entitled to (therefore, revenue would not be recognised for the products expected to be returned). The expected consideration to be received is determined based on a combination of historical, current and forecasted information available to the entity at the end of each reporting period.