HILL STREET BEVERAGE COMPANY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2019

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 "**Corporation**", the "**Company**" or "**Hill Street**") for the three and nine months ended March 31, 2019 in comparison with the three and nine months ended March 31, 2018 and the year ended June 30, 2018. These comments should be read in conjunction with the audited financial statements for the years ended June 30, 2018 and June 30, 2017, 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 May 30, 2019. 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 May 30, 2019 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 May 30, 2019, 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 Corporation 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 in thousands of branded retail chain stores through licensed distributors in Canada. It also provides direct to consumer sales and a monthly subscription service at www.hillstreetbeverages.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 in Canada.

INNOVATIVE PRODUCTS AND ADDRESSABLE MARKETS

Non-Alcoholic Adult Beverages

The Non–Alcoholic retail segment made strong gains in Q3. Building retail distribution remains core to increasing brand awareness while providing the critical mass necessary to justify broader scale marketing initiatives. Retailers generally follow formal category updates twice a year (Spring and Fall), and these are the timeframes within which the Company works to secure additional listings.

Ontario remains Hill Street's most developed market. Loblaws Ltd. and Sobeys (51% of grocery share) remain core to Hill Street's distribution success. Loblaws Market division added Hill Street's Craft beer Lager in Q3 and most recently have agreed to expand its selection to include two more Hill Street sku's. This brings the Hill Street branded listings to six, while President's Choice listings, produced under contract by Hill Street, remain at three. Early indications suggest that the Presidents Choice portfolio will increase this Fall.

Hill Street Quebec's market strategy is still in its infancy. Most national grocery chains have local Quebec procurement. To date, several positive meetings, secured by a new broker CDL, have been held with both Sobeys (SuperC) and Loblaws (Provigo, Maxi). Hill Street's first order into the Quebec market was shipped in February.

The retirement home market is a new strategic effort Hill Street started in Q3 2019. The Company's strategy is to secure distribution wins in high end/ independent retirement homes and leverage those relationships into the chains. The Company's current fulfillment process will evolve, and as its progresses, the Company's relationships with food service distributors will be developed giving the Company the opportunity to enter into the lucrative on premise/ restaurant channels.

The Company is also seeing an increased interest from the provincial liquor boards. In Q3, the LCBO issued a worldwide product call for Alcohol Free Wines. This product call is to support a January 2020 "Dry January" initiative they plan on developing. Hill Street submitted five SKU's from its Vintense wine portfolio.

Cannabis-Infused Adult Beverages

Working under the assumption that the cannabis edibles become legal in Canada in October 2019, Hill Street entered into a sales and distribution partnership with Lifford Cannabis Solutions ("Lifford"). Lifford currently represents several licensed producers and cannabis accessory brands and are well entrenched in the industry. They will represent Hill Street nationally and be responsible for the selling and distribution of both the Company's branded and co-packed product cannabis portfolio. Additionally, Lifford will drive channel marketing initiatives as permitted by local regulations.

Hill Street remains focused on building versatile infrastructure able to address Health Canada regulations pertaining to packaging, licensing, branding and marketing as they are not yet defined. Draft regulations were issued in December 2018, and it is expected that final regulations will be issued later in 2019 in time for the required legalization of edible forms of cannabis by October 17, 2019.

Q3 HIGHLIGHTS

Hill Street's third quarter was largely focused on the expansion and marketing of the alcohol free product line, coupled with preparations, analysis, and planning for the launch of cannabis infused beverages upon legalization. The quarter generated positive growth in the Company's alcohol-free segment, including the first shipments to the Quebec marketplace with the Company's new distributor, and increasing penetration and listings with existing retail customers. The Company launched its new Vin(Zero) Brut Rose and Shiraz wines and began preparations for the production of two new alcohol-free craft beers, Amber and Double IPA, in advance of the important summer beer season.

The Company has spent a great deal of time and energy digesting the proposed regulations from Health Canada regarding edible forms of cannabis, including infused beverages. These regulations surprised the industry with specific requirements banning the use of alcohol-related terms such as wine and beer. It also contains additional restrictions requiring separate facilities for the production of cannabis infused products and consumable products that do not contain cannabis.

These requirements placed significant challenges on management, as the original plan was to leverage the Company's existing partnership with VinFirst Innovative Packaging, the Company's largest shareholder, to produce cannabis infused beverages at their existing production and packaging facilities. As the VinFirst facility is the address associated with the Company's cannabis processor licencing application, changing addresses on a license application can impact the timing of the application approval. Moving locations would potentially delay our ability to launch cannabis infused beverages.

In order to address the impact of these regulations, the Company conducted a strategic and operational review of the Company's plans, and determined that we needed to find a Licensed Producer as a new location to produce our beverages to eliminate further delayed lead times. To this end, Hill Street has signed a binding letter of intent with OneLeaf Holding Corp ("**OneLeaf**"), an "evidence stage licensed cannabis cultivator and processor. OneLeaf has built a 48,200 square foot indoor facility, constructed to meet stringent EU GMP standards. 17,000 square feet of the facility will be used for flowering, cultivation and R&D. It is anticipated that the remaining floor space at the facility will be used to produce cannabis infused beverages. OneLeaf is located in Regina, Saskatchewan, a central location to assist Hill Street's distribution to both Eastern and Western provinces. The OneLeaf facility is expected to handle both Hill Street's production of cannabis infused beverages and allow Hill Street to expand into the co-packing business.

Co-packing is a standard operating model in the beverage sector, where it is extremely common for brands to contract out production of beverages to the owners of these facilities. It is the current method by which Hill Street produces its alcohol wine and beer. Typically, co-packing is a high volume, low margin business, and leaves the selling, marketing and distribution of the finished product to the brand owner. In the case of cannabis edibles, the packaging, production, selling, and distribution must be owned by the licensed producer, leaving essentially only the marketing to the brand owner. Health Canada by and large prohibits marketing of cannabis beverages. Hill Street is pursuing strategies which the Company anticipates will maximize both revenue and profit.

To address the impact of the new draft regulations, the Company initiated and co-founded a not-for-profit industry coalition, the Cannabis Beverage Producers Alliance. The goal of the organization is to provide an effective lobbying voice for the issues created by Health Canada that negatively impact the entire industry. Hill Street has been elected as one of the leaders of this initiative, and worked extensively to prepare for the April launch of the Alliance. The launch of this new organization has been covered by major national and regional news, including CBC, CTV, The Globe & Mail, and National Post, to name only a few. Hill Street is the only member of the alliance with two seats on the board, and its EVP Government Affairs is the co-chair.

The Company has participated in numerous trade shows and conferences in order to continue to build awareness and demand for its products, including generating public interest for cannabis infused beverages.

THE HILL STREET CHALLENGE

The "Hill Street Challenge" was launched at the beginning of the quarter to coincide with the burgeoning "Dry January" and "Dry February" cultural and health movements. The campaign was launched in partnership with Prostate Cancer Canada and The Arthritis Society, with the goal of driving a connection to Hill Street brands, and to show that living alcohol free can be easy, and that giving up alcohol does not mean you need to give up wine and beer. The campaign was supported using a number of creative elements. Five humorous videos were created, with each one outlining a different benefit of going alcohol-free.

The results of the Hill Street Challenge campaign exceeded expectations. The videos achieved just under 6 million impressions across YouTube, Instagram, and Facebook. Over 2.1 million people watched the videos long enough to see a Hill Street product or the Hill Street logo appear prominently, thereby directly driving brand awareness. The videos also drove a significant number of people to the Hill Street Challenge landing page on the Company's website; web traffic increased by a whopping 8,400% versus the 30-days prior to the campaign's "soft launch" on December 27th, and the vast majority of traffic was from people who had never visited the website previously. Moreover, hundreds of people leveraged the campaign hashtags in support of their favourite charity, sharing stories of going alcohol-free and reasons why it was a good idea via social media.

The Company's marketing initiatives appear to be having the desired impact on building the Hill Street brand. A survey conducted in early February of 1,582 Canadian adults representative of the Canadian population indicated that a full 6% of Canadian adults -- and 9% of Millennials -- were aware of the "Hill Street Challenge", a remarkable feat considering the phrase was only introduced on a national level in late December. That same survey indicated a 300% increase in awareness of "Hill Street" amongst adults, and a 450% increase amongst millennials, over the past eight months. The fact that awareness of Hill Street brands was significantly higher in Ontario than in "Total Canada" suggests that local radio partnerships have had a positive impact.

SELECTED QUARTERLY INFORMATION

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

	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	June 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017
Gross Revenue	$603,854	$527,652	$793,867	$155,140	$364,427	$599,048	$373,040	$395,365
Net Revenue	$428,355	$395,356	$511,607	$81,943	$248,093	$125,485	$202,754	$116,503
Direct Costs	$219,736	$169,569	$294,613	$98,912	$19,898	$244,532	$120,377	$174,861
Gross Profit	$208,619	$225,787	$216,994	$-16,969	$228,195	$119,047	$82,377	$-58,358
Net Loss (gain)	$1,074,283	$1,443,020	$10,137,920	$1,392,424	$644,880	$439,405	$166,527	$818,883
Total Assets	$2,216,288	$2,997,226	$4,502,946	$2,845,751	$1,650,397	$598,745	$725,053	$518,429
Total Liabilities	$829,799	$743,463	$1,069,283	$1,387,534	$674,059	$1,753,076	$1,602,343	$1,247,770
Shareholder Equity	$1,386,489	$2,253,763	$3,433,633	$1,458,217	$976,338	$-1,154,331	$-876,290	$-729,341

RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Corporation for the nine months ended March 31, 2019 and March 31, 2018. Gross revenues for the quarter ended March 31, 2019 increased by 66% compared to the quarter ended March 31, 2018, with year to date revenue growth up 44%.

Results for the Period Ended	Quarter Ended March 31, 2019	Quarter Ended March 31, 2018	Nine months ended March 31, 2019	Nine months ended March 31, 2018
Gross Revenue	$603,854	$364,427	$1,925,373	$1,336,515
Chargebacks and listing fees	$-175,499	$-116,334	-$590,073	-$760,183
Net Revenue	$428,355	$248,093	$1,335,300	$576,332
Direct Costs	$-219,736	$-19,898	-$684,180	-$384,807
Gross profit	**$208,619**	**$228,195**	**$651,120**	**$191,525**
Operating Expenses	**$942,823**	**$814,411**	**$2,984,795**	**$1,373,677**
Other One-time Expenses	**$131,214**	**-**	**$656,392**	**-**
Non Cash Expenses	**$217,298**	**$2,825**	**$701,057**	**$18,479**
Loss before other Income (Expense)	**-$1,082,716**	**-$589,041**	**-$3,691,124**	**-$1,200,631**
Other income (Expenses)				
Charges related to RTO	-	-	-$8,921,869	
Foreign exchange gain (loss)	$1,505	-$566	-$14,550	$5,092
Loss on settlement of debt	-	-$48,106		-$48,106
Write-off of inventory	$5,387	-$23,810	-$62,069	-$23,810
Write-off of accounts payable	-	$15,668		$15,668
Other Income	$1,541	$975	$34,389	$975
Loss and comprehensive loss for the period	**$1,074,283**	**$644,880**	**12,655,223**	**$1,250,812**
Basic and diluted loss per common share	**$0.01**	**$0.93**	**$0.16**	**$2.15**
Weighted average number of common shares outstanding	**87,117,594**	**693,309**	**79,749,078**	**581,652**

REVENUES

During the three months ended March 31, 2019, gross revenues were $603,854 compared to $364,427 for the three months ended March 31, 2018, representing an increase of 66%. The increase is driven by the investment in marketing and promotional activities with the Hill Street Challenge in the Q2. During the nine months ended March 31, 2019, gross revenues were $1,925,373 compared to $1,336,515 for the same period year ago, representing an increase of 44%.

Net revenues for the three months ended March 31, 2019 were $428,355 compared to $248,093 in the same period year ago, representing an increase of 73%. Net revenues are calculated by deducting from gross revenues the costs of chargebacks and listing fees paid to distribute products. Net revenues were up 7% more than the increase in gross revenue for the quarter, year over year. Net revenues for the nine months ended March 31, 2019 were $1,335,300 compared to $576,332 in the nine months ended March 31, 2018, representing an increase of approximately 132%. The increase in net revenue is driven by the reclassification of some contra revenue items to operating expenses in accordance with IFRS.

Chargebacks are fees charged by retailers and distributors for advertising and promotion programs and fees charged by distributors to distribute product. Listing fees represent the fees charged by retailers to have product available for sale in such retail establishments. Chargebacks and listing fees represented 29% of gross revenues for the three months ended March 31, 2019, compared to 32% for the three months ended March 31, 2018. For the nine months ended March 31, 2019, chargebacks and listing fees represented 31% of gross revenues compared to 57% for the nine months ended March 31, 2018. The drop in these fees can be attributed to the reclassification of some of these items to operating expenses in accordance with IFRS.

COST OF SALES/DIRECT COSTS

Direct costs were $219,736 or 36% of gross revenue for the three months ended March 31, 2019, an increase from $19,898 or 5% of gross revenue for the previous three months ended March 31, 2018. The significant increase year over year is due to timing for costs recorded in the prior year. For the nine months ended March 31, 2019 direct costs were $684,180 or 35% of Gross Revenue compared to 29% of gross revenue.

OPERATING EXPENSES

Operating expenses include marketing expenses, bank charges, commissions, depreciation, dues and licenses professional fees, employee expenses including salaries and stock option expense, and other general and administrative expenses. For the nine months ended March 31, 2019, operating expenses totaled $4,342,244 compared to $1,392,156 for the nine months ended March 31, 2018. The principal drivers of the increase in operating expenses were advertising and promotion expenses ($967,350), and employee related costs ($1,686,797) of which $673,425 is a non-cash stock options expense for the nine months ended March 31, 2019. The Corporation anticipates that revenues will continue to increase in subsequent quarters to offset operating expenditures. The Corporation will be reviewing and tracking these items in subsequent quarters.

ONE TIME AND NON CASH EXPENSES

In addition to ordinary operating expenses, the Corporation incurred a number of onetime expenses and non cash expenses during the three months ended March 31, 2019 totaling $348,512. These expenses are comprised of expenses relating to M&A, cannabis consulting, investor relations, stock option expense and depreciation. For the nine months ended March 31, 2019 one time and non cash expenses totaled $1,357,449.

OTHER EXPENSES

For the nine months ended March 31, 2019, the Corporation incurred other non-cash expense of $8,921,869, which amount is related to the completion of the Company’s reverse takeover qualifying transaction completed July 24, 2018 (the “**RTO**”). Inventory write off was $62,069 for the nine months ended March 31, 2019, this was due to $59,449 that was written off in the second quarter due to an error in nutritional product labelling. Replacement product for a nutritional labelling error for $17,223 was received in the quarter ended March 31, 2019. Part of this credit was offset by the expense incurred to destroy the product that had been written off.

NET EARNINGS

The Company recorded a net loss of $1,074,283 for the three months ended March 31, 2019, compared to a loss of $644,880 for the three months ended March 31, 2018. This loss driven by increased employee related expenses and the marketing, advertising and promotional efforts of the Corporation to support the Hill Street Challenge. For the nine months ended March 31, 2019, Hill Street had net loss of $12,655,223, compared to a loss of $1,250,812 in the nine months ended March 31, 2018. This loss was principally due to onetime, non-cash expenses of the Corporation relating to the completion of the RTO as noted above. IFRS required the Company to account for the RTO as a capital transaction of the Company at a deemed (non-cash) expense of $8,921,869.

The basic and diluted loss per share for the three months ended March 31, 2019 was 0.01 per share. The basic and diluted earnings loss per share for the three months ended was March 31, 2018 was 0.93 per share. The basic and diluted loss per share for the nine months ended March 31, 2019 was 0.16 per share. The basic and diluted earnings loss per share for the nine months ended March 31, 2018 was 2.15 per share.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Corporation’s principal capital needs are for operating expenses related to employee and marketing expenses. Additional investments are being made to support the cannabis infused beverages market. Since its formation, the Corporation 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. However, it is likely the Company will need to raise capital through debt or equity financings in the near future.

WORKING CAPITAL

Working capital represents current assets less current liabilities. As of March, 31, 2019, the Corporation had a working capital of $1,207,095 compared to a working capital of $968,714 for the nine months and ended March 31, 2018.

CASH FLOWS

During the nine months ended March 31, 2019, Hill Street generated negative cash flows from operations of $4,328,004 compared to negative cash flow of $1,192,923 during the nine months ended March 31, 2018. The amount of cash (used) in investing activities in the nine months ended March 31, 2019 was $106,373 compared to $582 in the nine months ended March 31, 2018. The amount of cash provided by financing activities in during the nine months ended March 31, 2019 was $2,766,301 compared to $2,165,069 in the nine months ended March 31, 2018.

CONTRACTUAL OBLIGATIONS

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

	Payments due by Period					
Contractual Obligations	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Bank Debt Obligations (principal and interest)	$0	$0	$0	$0	$0	$0
Contractual Royalty Obligations	$120,750	$243,889	$25,000	$9,722	$	$399,361
Operating Leases	$0	$0	$0	$0	$0	$0
Purchase Obligations	$270,367	$0	$0	$0	$0	$270,367
Other Debt Obligations	$0	$0	$0	$0	$0	$0
Total	$397,117	$243,889	$25,000	$9,722	$0	$675,728

SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares of which 87,800,023 Common Shares are issued and outstanding as of the date hereof.

CAPITAL RESOURCES

As of March 31, 2019, the Corporation 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 Corporation.

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 nine month period ended March 31,	**2019**	**2018**
Management Salaries	1,457,649	336,171

Included in accounts payable as at March 31, 2019 is $285,938 (March 31, 2018: $39,895) payable to Directors and Officers of the Company for management compensation. The amount is non-interest bearing, unsecured and due on demand.

As at March 31, 2019, the Company had outstanding advances to Directors in the amount of $42,580 for tax deductions. The advances for tax deductions are non-interest bearing and is repayable on demand.

LEGAL PROCEEDINGS

There are no legal proceedings material to Hill Street to which Hill Street is a party to or of which any of its property is the subject matter, and there are no such proceedings known to Hill Street to be contemplated.

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.

CRITICAL FUTURE ACCOUNTING POLICIES

IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018. Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 effective July 1, 2018. The Company has evaluated the impact of this standard and does not expect it to have a material impact.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company will adopt IFRS 15 effective July 1, 2018. The Company is currently evaluating the impact of this standards.

IFRS 16, "Leases", was issued in January 2016, and replaces IAS 17,"Leases" ("IAS 17"). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company has evaluated the impact of this standard and does not expect it to have a material impact.