HILL STREET MARKETING INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

(Expressed in Canadian dollars)

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hill Street Marketing Inc.

We have audited the accompanying financial statements of Hill Street Marketing, which comprise the statements of financial position as at June 30, 2018 and 2017 and the statements of operations and comprehensive loss, statements of changes in equity (deficiency) and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Hill Street Marketing Inc. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Hill Street Marketing Inc. has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about Hill Street Marketing Inc.'s ability to continue as a going concern.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 29, 2018

Hill Street Marketing Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	June 30, 2018	June 30, 2017
		$	$
ASSETS			
Current			
Cash		2,111,046	31,622
Amounts receivable	6	271,434	143,520
Inventory	7	281,010	319,106
Prepaid expenses		178,567	15,508
Total current assets		2,842,057	509,756
Equipment	8	3,694	8,673
TOTAL ASSETS		2,845,751	518,429
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12	1,247,667	430,804
Loans payable	9	139,867	263,667
Convertible note	10	-	553,299
TOTAL LIABILITIES		1,387,534	1,247,770
SHAREHOLDERS' EQUITY			
Share capital	11	6,444,931	3,500,748
Shares to be issued		1,947,160	-
Reserve	10	-	50,799
Deficit		(6,933,874)	(4,280,888)
TOTAL SHAREHOLDERS' EQUITY		1,458,217	(729,341)
TOTAL LIABILITIES AND EQUITY		2,845,751	518,429

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 19)

These financial statements were approved and authorized for issue for the Board of Directors on October 29, 2018. They are signed on the Company's behalf by:

"Paul Rosen"	"Kevin Ruddle"
Director	Director

The accompanying notes are an integral part of these financial statements.

Hill Street Marketing Inc.
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	June 30, 2018	June 30, 2017
		$	$
Gross Revenue	5	1,511,311	1,521,711
Chargebacks, finance fees, and listing fees	5	(840,429)	(773,679)
Net Revenue	16	670,882	748,032
Cost of Goods Sold		(584,500)	(498,340)
Gross profit		86,382	249,692
Expenses			
Advertising and marketing		601,435	16,995
Accretion expense	10	16,848	4,919
Bad debts expense		3,437	33
Bank charges and interest	9/10	79,642	92,519
Consulting fees		167,700	1,061,031
Depreciation	8	895	2,532
Dues and licenses		154,656	119,520
RTO expenses		148,221	-
Management fees	12	83,500	-
Management wages, commissions and salaries	12	543,345	301,886
Office and miscellaneous		66,239	43,459
Product & Packaging		140,836	39,532
Professional fees		115,896	18,209
Travel and meal allowance		46,882	38,176
Warehousing costs		105,692	47,377
		2,275,224	1,786,188
Net Loss from Operations		(2,188,842)	(1,536,496)
Foreign exchange (loss) gain		(709)	4,509
Loss on legal settlement		(215,930)	-
Write-off of inventory	7	(242,399)	-
Write-off of equipments	8	(6,936)	(4,975)
Write-off of accounts payable	12	-	1,318,247
Other income		1,830	789
		(464,144)	1,318,570
Net loss and comprehensive loss for the year		(2,652,986)	(217,926)
Basic and diluted loss per common share		(4.28)	(1.10)
Weighted average number of common shares outstanding		619,379	193,428

Hill Street Marketing Inc.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares					
	Shares	**Amount**	**Shares to be issued**	**Reserve**	**Deficit**	**Total**
		$	$	$	$	$
As at June 30, 2016	106,100	1,000,108	-	-	(4,062,962)	(3,062,854)
Stock-based compensation	52,602	2	-	-	-	2
Shares issued for debt due to related parties	27,217	2	-	-	-	2
Shares issued for shareholders loan	66,709	1,000,636	-	-	-	1,000,636
Shares issued for consulting fees	59,032	1,000,000	-	-	-	1,000,000
Shares issued for cash	189,218	500,000	-	-	-	500,000
Equity component of convertible note	-	-	-	50,799	-	50,799
Net loss for the year	-	-	-	-	(217,926)	(217,926)
As at June 30, 2017	500,878	3,500,748	-	50,799	(4,280,888)	(729,341)
Equity component of convertible note	-	-	-	19,578	-	19,578
Conversion convertible note	87,535	919,118	-	(48,109)	-	871,009
Equity component of convertible note	-	22,268	-	(22,268)	-	-
Shares issued for cash	194,785	2,045,243	-	-	-	2,045,243
Shares issued as finders’ fees	6,838	71,799	-	-	-	71,799
Share issued costs	-	(114,245)	-	-	-	(114,245)
Shares subscription received	-	-	1,947,160	-	-	1,947,160
Net loss for the year	-	-	-	-	(2,652,986)	(2,652,986)
As at June 30, 2018	790,036	6,444,931	1,947,160	-	(6,933,874)	1,458,217

Hill Street Marketing Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended June 30, 2018	Year ended June 30, 2017
	$	$
OPERATING ACTIVITIES		
Net loss for the year	(2,652,986)	(217,926)
Items not affecting cash:		
Depreciation	895	2,532
Bad debts expense	3,437	33
Inventory adjustment	242,399	20,026
Unrealized foreign exchange	-	(783)
Write-off of equipments	6,936	4,975
Write-off of accounts payable	-	(1,320,195)
Stock based compensation	-	4
Accretion expense	16,848	4,919
Accrued interest	76,447	74,541
	(2,306,024)	(1,431,874)
Changes in non-cash working capital items:		
Amounts receivable	(131,351)	87,337
Inventory	(204,303)	(218,582)
Prepaid expenses	(163,059)	-
Accounts payable and accrued liabilities	832,269	915,826
Deferred revenue	-	(55,890)
Cash used in operating activities	(1,972,468)	(703,183)
INVESTING ACTIVITIES		
Equipment	(2,852)	(5,099)
Cash used in investing activities	(2,852)	(5,099)
FINANCING ACTIVITIES		
Shares issued	2,045,243	500,000
Share issuance costs	(42,446)	-
Shares to be issued	1,947,160	-
Proceeds from loans	250,000	250,000
Repayment of loans	(114,051)	(50,820)
Interest payment	(31,162)	(29,640)
Cash provided by (used in) investing activities	4,054,744	669,540
CHANGE IN CASH	2,079,424	(38,742)
CASH, BEGINNING OF YEAR	31,622	70,364
CASH, END OF YEAR	2,111,046	31,622

1. NATURE OF OPERATIONS AND GOING CONCERN

Hill Street Marketing Inc. (the "Company") was incorporated on December 3, 2008 in Ontario under the Business Corporations Act. The Company is engaged in supplying alcohol free drinks. The Company sells its products online as well as through retail stores and distributors in the United States and Canada.

The Company's registered address and the records are held at 480 University Avenue, #1401, Toronto, Ontario.

These financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future and that management does not intend to liquidate the entity, or has no realistic alternative but to do so. As at June 30, 2018, the Company had not yet achieved profitable operations, had a working capital of $1,454,523 (2017: ($738,014) deficiency), accumulated deficit of $6,933,874 (2017: $4,280,888), 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 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.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to obtain necessary financing and generate operation profit to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. The success of the Company's endeavors cannot be predicted at this time. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements for the year ended June 30, 2018 were authorized for issuance by the Board of Directors on October 29, 2018

Functional and Presentation Currency

The presentation and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. BASIS OF PREPARATION (continued)

Reclassification of Prior Year Amounts

The Company has reclassified certain immaterial items on the statements of operations and comprehensive loss to improve clarity.

Use of Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

In particular, information about significant areas of estimation uncertainty and judgment considered by management in preparing the financial statements includes:

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 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.

Judgment

- The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

2. BASIS OF PREPARATION (continued)

Use of Estimates and Judgments (continued)

- From time to time, certain claims, suits, and complaints may arise in the ordinary course of operations against the Company which require management to make certain estimates, judgments, and assumptions about the suit. In the opinion of management, any provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. Management is not aware of any material contingent liabilities which require recording in the condensed interim financial statements.

- Impairment indicators include a significant decline in an asset's market value, significant changes in the technologies, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned us of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

- The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, of if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favourable than previously projected, or if liquidation or the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

- The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The Canadian dollar is considered to be the functional currency of the Company.

Transactions denominated in currencies other than the Canadian dollar are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated at historical rates. Exchange gains or losses on translation are recorded in the statements of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition, Accounts Receivable and Allowance for Doubtful Accounts

The Company records a sale when: it has transferred the risk and rewards of ownership of the goods to the buyer; the Company has no continuing managerial involvement over the goods; it is probable the consideration will be received by the company; and the amount of revenue and cost related to the transaction can be measured reliably. For transactions with retail stores and distributors, the Company's terms are primarily "FOB destination point", which designates that the Company will pay shipping costs and remain responsible for the goods until the buyer takes possession. Sales to consumers through online store is recorded when the product is purchased.

Product returns, promotional allowance, chargebacks, money program and discounts provided to consumers are deducted from gross revenue to arrive at sales.

Accounts receivable consist of amounts due from customers and are recorded upon the sale of product to customers. Credit terms are extended to customers in the normal course of business and no collateral is required. The Company estimates an allowance for doubtful accounts based on historical losses, the existing economic conditions and the financial stability of its customers. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Cost of Goods Sold

Cost of Goods Sold include the cost of finished goods inventory sold during the year, freights, adjusted for inventory at the end of each reporting periods.

Inventory

Inventory comprises of finished goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company utilizes a weighted average cost calculation to determine the value of ending inventory. Average cost is determined separately for domestic and export non-alcohol drinks.

Operating segments

The Company operations in one industry segment, the sale of non-alcoholic drinks products. All Company's sales are within Canada, with a small volume sold in the United States.

Machinery and equipment

Machinery and equipment are carried at cost less accumulated depreciation.

The depreciation rates of the major asset categories are calculated based on the declining balance method as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Machinery and equipment (continued)

Computer hardware	Declining-Balance	33.33%
Computer Software	Declining-Balance	33.33%
Equipment	Declining-Balance	20%
Racks	Declining-Balance	20%

The Company records one-half of the calculated depreciation in the year of acquisition.

The Company changed the estimated useful of life of computer, software and equipment on a prospective basis. The Company believes that the change of useful life provides more relevant and reliable information as it's more aligned with industry peers.

Deferred income

Advances payments received for use of the Company's assets are initially recorded in deferred income. The income is recognized when the goods are transferred to the buyer.

Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously-recognized impairment loss, is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share
The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Provisions
Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital (continued)

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in warrants reserve is transferred to capital stock.

4. NEW STANDARDS NOT YET ADOPTED

The following new standards, and amendments to standards and interpretations, are not yet effective for the current period and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below

i) *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 is currently evaluating the impact of this standard.

ii) *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.*

iii) *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 is currently evaluating the impact of this standard on its financial position and financial performance. The Company is currently evaluating the impact of this standards.*

(Expressed in Canadian Dollars)

5. NET REVENUE

		2018	2017
Gross revenue	$	1,511,311	1,521,711
Distribution fee		(350,729)	(412,325)
Chargebacks		(398,868)	(324,186)
Listing fees		(90,832)	(37,168)
	$	670,882	748,032

Gross revenue includes distribution and online sales net of distribution fees, chargebacks and listing fees.

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

		2018	2017
Trade receivables	$	92,271	435,841
GST receivables		179,163	25,026
Allowance for doubtful account		-	(317,347)
	$	271,434	143,520

An allowance for doubtful accounts of $Nil (2017: $317,347) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of amounts that may be uncollectible.

7. INVENTORY

		2018	2017
Finished goods	$	281,010	319,106

Inventory write downs recognized as an expense amounted to $242,399 (2017: $20,026)

The cost of inventory recognized as an expense and included in cost of goods sold was $390,207 (2017: $374,448).

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Computer Equipment	Computer Software	Racks	Equip-ment	Total
Cost					
Balance at June 30, 2016	$ 1,891	$ 992	$ -	$ 16,059	$ 18,942
Additions	124	-	4,975	-	5,099
Write-offs	-	-	(4,975)	-	(4,975)
Balance at June 30, 2017	2,015	992	-	16,059	19,066
Additions	2,300	552	-	-	2,852
Write-offs	(350)	-	-	(12,864)	(13,214)
Balance at June 30, 2018	$ 3,965	$ 1,544	$ -	$ 3,195	$ 8,704
Accumulated depreciation					
Balance at June 30, 2016	$ 1,087	$ 992	$ -	$ 5,782	$ 7,861
Depreciation for the year	476	-	-	2,056	2,532
Balance at June 30, 2017	1,563	992	-	7,838	10,393
Write-offs	-	-	-	(6,278)	(6,278)
Depreciation for the year	476	92	-	327	895
Balance at June 30, 2018	$ 2,039	$ 1,084	$ -	$ 1,887	$ 5,010
Carrying amount at June 30, 2017	$ 452	$ -	$ -	$ 8,221	$ 8,673
Carrying amount at June 30, 2018	$ 1,926	$ 460	$ -	$ 1,308	$ 3,694

(Expressed in Canadian Dollars)

9. LOANS PAYABLE

The Company has the following loans payable as at June 30, 2018 and 2017:

As at June 30,	**2018**	**2017**
	$	$
Woolly Goat	89,867	179,734
Smart Alec Investments Ltd.	50,000	50,000
John Pearce	-	33,933
Total balance at end of year	139,867	263,667

Woolly Goat

On October 22, 2013, the Company entered into a loan agreement with Woolly Goat, whereby the Company borrowed $300,000. The loan will bear interest at 20% per annum and will be repaid $11,029 monthly in 36 equal monthly installments of blended principal and interest.

Effective July 1, 2015, the lender agreed to the following proposed amendment to the loan agreement, the annual interest rate on the loan to be changed from 20% to 10%, no monthly payments are to be made by the Company from June 30, 2015 until August 2016; all interest accrued during this time will be added to the outstanding amount of the loan when payments recommence. During the year ended June 30, 2018, the Company accrued or paid interest of $14,266 (2016: $16,998). On January 23, 2018, the Company partially repaid $80,118 of principal and $9,749 of accrued interest.

Smart Alec Investment Ltd.

On February 12, 2014, the Company entered into a loan agreement with Smart Alec Investment Ltd., whereby the Company borrowed $50,000. The loan will bear interest at 12% per annum and will be repaid in 12 equal monthly installments of interest only, calculated monthly for a period of 12 months. The principal will be repaid in full at the termination of the loan. During the year ended June 30, 2018, the Company accrued or paid interest of $6,000 (2017: $6,000).

John Pearce

On November 8, 2014, the Company entered into a loan agreement with John Pearce, whereby the Company borrowed $100,000 for the purpose of securing a long term merchandising contract with a customer. The loan will bear interest at 20% per annum and will be repaid $3,676 monthly in 36 equal monthly installments for a total payback of $132,352. During the year ended June 30, 2018, the Company accrued or paid interest of $1,147 (2017: $5,603). On January 23, 2018, the Company repaid the full balance of the outstanding loan of $35,080.

9. LOANS PAYABLE (continued)

Brenda Morgan

On March 1, 2013, the Company entered into a loan agreement with Brenda Morgan, whereby the Company borrowed $100,000 for the purpose of securing a long term merchandising contract with a customer. The loan will bear interest at 20% per annum and will be repaid $3,676 monthly in 36 equal monthly installments for a total payback of $132,352. During the year ended June 30, 2018, the Company accrued interest of $Nil (2017: $243). The loan was paid in full on October 3, 2016.

Due to Directors and Officers

As at June 30, 2018, the total loans due to officers and directors were $Nil (2017: $Nil). The loans have no specific date of repayment and interest will be paid on these loans at the discretion of the directors. On February 28, 2017, the Company issued 43,376 shares in settlement of the loan in the amount of $650,640. During the year ended June 30, 2018, the Company accrued interest of $Nil (2017: $17,074).

HoldCo (St. Catharines) Ltd.

1. *Investor Agreement*

On March 4, 2016, the Company entered into a loan agreement with HoldCo (St. Catharines) Ltd. whereby the Company borrowed $299,999 on Phase 1. The loan is unsecured and will bear interest at 5.5% per year and will be paid monthly on the combined outstanding balance. In consideration for the loan received, the Company issued 6,100 shares with a fair market value of $1. During the year ended June 30, 2018, the Company accrued interest of $Nil(2017: $10,985).

During the year ended 2017, Holdco advanced an additional $250,000 as part of phase 2. Effective March 1, 2017, the Company agreed to consolidate the two outstanding loans; the annual interest rate on the loan was changed from 5.5% to 11%.

2. *Bridge Loan Agreement*

On September 28, 2015, the Company entered into a bridge loan agreement with HoldCo (St. Catharines) Ltd. whereby the Company borrowed $135,000 for the purpose of purchasing inventory. The loan is unsecured and will bear interest at 11% per year and will be paid monthly on the combined outstanding balance. During the year ended June 30, 2018, the Company accrued interest of $Nil (2017: $5,970). On June 30, 2016, the Company made a principal repayment of $96,641.

Effective March 24, 2017, the Company and HoldCo (St. Catharines) agreed to modify and replace the current loan terms with the following: the debt has the option to be convertible into common shares at HoldCo's election and the principal is due December 31, 2019. On March 24, 2017, the Company reclassified $349,179 to a convertible note (Note 10).

9. LOANS PAYABLE (continued)

Sanjeev Sawni

In October 2015, the Company entered into a loan agreement with Sanjeev Sawni, whereby the Company borrowed $350,000. The loan will be payable on the unpaid principal at 5.0% per year and calculated monthly. The loan has no specific date of repayment. During the year ended June 30, 2017, the Company accrued interest of $Nil (2017: $11,667). On February 28, 2017, the Company issued 23,333 shares in settlement of the loan in the amount of $350,000.

10. CONVERTIBLE NOTE

On March 24, 2017, the Company and HoldCo (St. Catharines) modified and replaced the Investor Agreement and the Bridge Loan Agreement into a convertible note agreement. A balance of $349,179 was reclassified from shareholders loan account and additional $250,000 was borrowed by the Company. The loan bears interest at 11% per annum paid monthly and has a maturity date of December 31, 2019 and is secured above any other debt with repayment of principal upon a liquidation, dissolution or winding up of the Company. The loan was accounted for at amortized cost using the effective interest rate method with the effective interest rate of 15% per annum. The debt discount of $50,799 was credited to reserves, debited to convertible note payable and being amortized over the term of the loan.

On July 6, 2017, the Company borrowed an additional $250,000 from HoldCo (St. Catharines). The Company and HoldCo (St. Catharines) agreed to apply terms to this loan mirroring the term of the March 24, 2017 convertible note agreement. The debt discount of $19,578 was credited to reserves, debited to convertible note payable and being amortized over the term of the loan.

On January 31, 2018, the carrying value was $800,569 interest payable was $70,440. On this date, the convertible debt was settled through the issuance of 87,535 shares with a value of $10.50 per share for total loan repayment of $919,115. The $70,377 in reserves was reclassified to share capital.

11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

At June 30, 2018, the issued and outstanding share capital is comprised of 790,036 (2017: 500,878) shares.

During the year ended June 30, 2018 the Company issued the following shares:

In the year ended June 30, 2018, the Company issued 194,785 units at $10.50 per unit for gross cash proceeds of $2,045,243. Each unit consisted of one common share and one-half common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of $18.00 per share, exercisable for a period of 24 months from the date of issuance. In connection to the private placement, 6,838 shares valued at $71,800 were issued to a consultant as finder's fees. Other share issuance costs totaled $42,446.

On January 31, 2018, 87,535 shares valued at $919,115 were issued to settle the convertible note and its accrued interest (Note 10).

During the year ended June 30, 2017 the Company issued the following shares:

On December 1, 2016, the Company issued 52,602 common shares in lieu of a Cash signing bonus for the hiring of a new CEO and VP of Sales valued at $2 as the Company had no value at that date. The amount is included with stock based compensation on the statement of operations and comprehensive loss. The shares will be held in escrow and only released once certain capital targets are achieved.

On December 1, 2016, the Company issued 27,217 common shares in lieu of compensation for past services valued at $2 in settlement of $408,247 in accounts payable.

On April 1, 2017, the Company issued 66,709 common shares valued at $1,000,636 to settle a shareholder loans.

On May 1, 2017, the Company issued 59,032 common shares for consulting services recorded at a fair value of $1,000,000.

On June 1, 2017, the Company issued 189,218 common shares for gross cash proceeds of $500,000.

c) Escrow shares
Nil (2017: 52,602) were held in escrow at June 30, 2018.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

d) Stock options
The Company has no stock option plan in place as of June 30, 2018.

e) Warrants
Warrants transactions are summarized as follows:

Expiry		Exercise Price	June 30, 2017	Granted	Exercised	Expired / Cancelled	June 30, 2018	Exercisable
Dec 15, 2019	$	18.00	-	7,685	-	-	7,685	7,685
Jan 12, 2020	$	18.00	-	14,881	-	-	14,881	14,881
Jan 31, 2020	$	18.00	-	43,767	-	-	43,767	43,767
Feb 9, 2020	$	18.00	-	78,247	-	-	78,247	78,247
Total			-	144,580	-	-	144,580	144,580
Weighted average exercise price			-	$ 18.00	-	-	$ 18.00	$ 18.00
Weighted average remaining contractual life							1.59 years	

12. RELATED PARTY TRANSACTIONS

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 years for key management personnel compensation:

During the year ended June 30,	**2018**	**2017**
	$	$
Management wages paid or accrued to President	60,951	38,586
Management wages paid or accrued to CIO	65,549	63,776
Management wages paid or accrued to former COO	55,716	63,776
Management wages paid or accrued to VP of Sales	62,849	20,000
Management wages paid or accrued to CEO	93,031	30,000
Bonus paid or accrued to CEO	30,000	-
Management wages paid or accrued to CMO	23,031	-
Management wages paid or accrued to VP Strategic Partnerships	55,286	-
Management wages paid or accrued to new CFO	15,349	-
Management fees	83,500	-
Stock-based compensation	-	2
Forgiven debt	-	(408,245)
	545,262	(192,105)

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable as at June 30, 2017 is $127,040 (2017 - $5,863) payable to Directors and Officers of the Company for management wages. The amount is non-interest bearing, unsecured and due on demand.

During the year ended June 30, 2017, a director of the Company forgave the payment of its unpaid management wages of $408,245 as the Company had no sufficient funds to pay off this debt.

As at June 30, 2018, the total loans due to related parties were $Nil (2017 - $568,705).

13. FINANCIAL INSTRUMENTS

Financial instruments are classified into one of the following categories: fair value through profit or loss, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

Financial instruments	Category	**2018**	**2017**
		$	$
Cash	FVTPL	2,111,046	31,622
Amounts receivable	Receivables	271,434	143,520
Accounts payable	Other liabilities	1,247,667	430,804
Loans payable	Other liabilities	139,867	263,667
Convertible note	Other liabilities	-	553,299

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

As at June 30, 2018 and 2015, the financial instruments recorded at fair value on the statements of financial position is cash which is measured using Level 1 of the fair value hierarchy.

13. FINANCIAL INSTRUMENTS (continued)

The recorded amounts for amounts receivable, accounts payables and loans approximate their fair values due to their short-term nature and based on market rates of interest for similar instruments. The convertible note which bear an interest of 11% per annum with a maturity date of December 31, 2019 was accounted for at amortized costs using the effective interest rate method with the effective rate of 15% per annum.

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit Risk
Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its revenue generated during the year. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. As at June 30, 2018, the Company had $271,434 (2017 - $143,520) financial assets that may subject to credit risk defaults.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable and loans payable. The Company manages its liquidity risk through the management of its capital structure as described in Note 14. The Company's accounts payable have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as fair value through profit or loss, and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company's interest bearing debt is not subject to interest rate cash flow risk as the loans bear interest at fixed rates.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. Revenue and expenses are mostly denominated in Canadian dollar, US dollar or Euro. A significant change in the currency exchange rates between the Canadian dollar, US dollar and Euro could have an effect on the Company's results of operations, financial position or cash flows. However, the Company does not believe it is subject to any significant foreign exchange risk at this time. The Company has not hedged its exposure to currency fluctuations.

(Expressed in Canadian Dollars)

14. CAPITAL MANAGEMENT

The Company considers capital to be the elements of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance its business development and meet its obligations as they come due. The Company is in the early stages of operations and is currently developing a capital structure which will support expanded activity. The Company monitors economic conditions and the risks related to the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

15. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows:

During the year ended June 30, 2018

The Company issued 6,838 shares valued at $71,800 as finder's fees.

On January 31, 2018, 87,535 shares valued at $919,115 were issued to settle the convertible note and its accrued interest (Note 10).

During the year ended June 30, 2017

The Company issued 52,602 common shares in lieu of a Cash signing bonus for the hiring of a new CEO and VP of Sales valued at $2 as the Company had no value at that date.

The Company issued 27,217 common shares in lieu of compensation for past services valued at $2 in settlement of $408,247 in accounts payable.

The Company issued 66,709 common shares valued at $1,000,636 to settle a shareholder loan.

The Company issued 59,032 common shares for consulting services recorded at a fair value of $1,000,000.

16. SEGMENTED REPORTING

The Company operates in one business segment, the sale of alcohol free wine and beer. Revenues from external customers are derived from customers located within North America as follows:

		2018	2017
Canada	$	662,876	709,441
United States		8,006	38,591
	$	670,882	748,032

(Expressed in Canadian Dollars)

17. COMMITMENTS

Weight Watchers International Inc.

The Company entered into an endorsement agreement dated November 1, 2017, whereas the endorser permitted the use by the Company of the Weight Watchers trademarks for use in connection with the sale, distribution, and marketing of the Company's product.

According to the agreement, in consideration for the rights granted under the endorsement agreement, the Company agrees to pay to Weight Watchers International, Inc. the greater of the following"

a) 4% of earned revenue from endorsed products, less applicable expenses.
b) The Minimum Guarantee per year is $100,000.

The Company's minimum payments over the next fiscal years are as follows:

2018	100,000
2019	100,000
Total	$ 200,000

18. INCOME TAXES

(a) Current Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2018 $	2017 $
Net loss for the year	(2,652,986)	(217,926)
Expected tax recovery (26%)	(689,776)	(56,661)
Tax Effect of:		
Permanent differences	(566)	(104,201)
Other adjustments	(24,374)	(800)
Change in unrecognized deferred tax assets	714,717	161,662
Deferred income tax recovery	-	-

(Expressed in Canadian Dollars)

18. INCOME TAXES (continued)

(b) Deferred Income Taxes

Deferred income tax assets have not been recognized in respect of the following items:

	2018	2017
	$	$
Deferred income tax assets		
Non-capital losses carried forward	1,439,676	749,334
Share issuance costs	23,763	-
Temporary differences in net assets	7,257	6,646
Total unrecognized deferred income tax assets	1,470,696	755,980

The Company has Canadian non-capital losses for income tax purposes of approximately $5,537,215 (2017: $2,882,052), which may be available to reduce taxable income in future years. The potential benefit of these losses has not been recognized as a deferred tax benefit, as currently it is not probable that such benefit will be utilized in the foreseeable future. These losses expire as follows:

2032	91,130
2033	210,019
2034	-
2035	1,344,758
2036	617,450
2037	618,695
2018	2,655,163
	$ 5,537,215

19. SUBSEQUENT EVENTS

Subsequent to the year end, the Company completed a reverse takeover transaction ("Transaction") with Avanco Capital Corp. ("Avanco") a TSXV listed capital pool company. The Transaction was completed pursuant to a merger agreement dated May 29, 2018 made among, Avanco, its wholly owned subsidiary Avanco Hill Street Acquisition Corp. ("Avanco Sub"), and the Company ("Amalgamation Agreement"). On July 24, 2018 the Company filed articles of amalgamation to amalgamate with Avanco Sub, and in accordance with the terms of the Amalgamation Agreement, the existing common shares and warrants of the Company were exchanged for 51,635,093 common shares of Avanco ("Avanco Shares") and 8,674,800 warrants of Avanco ("Avanco Warrants"). The Avanco Warrants are exercisable for one Avanco Share at price of $0.30 per share a period of two years from the date of issuance. All other shares and securities of the amalgamating companies were cancelled and amalgamated entity issued 100 common shares to Avanco and was named Hill Street Marketing Inc. Upon closing of the Transaction, the amalgamated entity became a wholly owned subsidiary of Avanco, and Avanco changed its name to Hill Street Beverage Company Inc. (the "Resulting Issuer"). On July 30, 2018, following the completion of the Transaction, the Resulting Issuer granted options to purchase 7,934,510 common shares of the Resulting Issuer to existing officers and directors of the Company. The options have an exercise price of $0.175 per share and expire July 31, 2023. The options vest quarterly equally over three years.

On October 17, 2018, the Cannabis Act (Canada), and the associated Regulations came into force in Canada. The Cannabis Act (Canada) regulates the recreational use, cultivation, sale, consumption, promotion and licensing of marijuana in Canada. The Company anticipates that one of the preferred methods for ingesting recreational cannabis products will be in beverage form. Although current legislation does not permit the manufacture and sale of cannabis infused products in Canada, legislation to allow the sale of these products is anticipated to come into force in the fall of 2019. To this end, the Company has taken a number of initiatives with a view to having cannabis infused beverages available for sale once the regulations permit, including:

- in April 2018, the Company entered into agreements with David Hyde & Associates and Cannabis Compliance, two of the world's leading cannabis compliance and security advisors;

- subsequent to the year end, in July 2018, the Company entered into a license agreement with Lexaria Bioscience Corp. (OTCQX: LXRP) (CSE: LXX), a drug delivery platform innovator, which grants to Hill Street a semi-exclusive license to Lexaria's DehydraTECHTM, for the purpose of producing a line of cannabis infused alcohol-free beers and wines for Canadian distribution, following regulatory approval.