HILL STREET MARKETING INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2018

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Hill Street Marketing Inc.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Notes	March 31, 2018	June 30, 2017
		$	$
ASSETS			
Current			
Cash		1,003,186	31,622
Accounts receivable	6	386,644	143,520
Inventory	7	224,415	319,106
Prepaid expenses		28,528	15,508
Total current assets		1,642,773	509,756
Equipment	8	7,624	8,673
TOTAL ASSETS		1,650,397	518,429
LIABILITIES			
Current			
Accounts payable and accrued liabilities		534,192	430,804
Loans payable	9	139,867	263,667
Convertible note	10	-	553,299
TOTAL LIABILITIES		674,059	1,247,770
SHAREHOLDERS' EQUITY			
Share capital	11	6,508,038	3,500,748
Reserve	10	-	50,799
Deficit		(5,531,700)	(4,280,888)
TOTAL SHAREHOLDERS' EQUITY		976,338	(729,341)
TOTAL LIABILITIES AND EQUITY		1,650,397	518,429

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Contingencies (Note 17)
Subsequent events (Note 18)

Approved on behalf of the Board:

"Paul Rosen"	"Kevin Ruddle"
Director	Director

Hill Street Marketing Inc.
Condensed Interim Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Notes	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017
		$	$		
Gross Revenue	5/15	364,427	76,579	1,336,515	1,126,220
Chargebacks, finance fees, and listing fees	5	(116,334)	(68,426)	(760,183)	(495,059)
Net Revenue		248,093	8,153	576,332	631,161
Direct Costs		(19,898)	(15,017)	(384,807)	(320,810)
Gross profit (loss)		228,195	(6,864)	191,525	310,351
Expenses					
Advertising and promotion		192,434	1,883	206,182	13,703
Accretion expense		2,156	-	16,848	-
Bad debt expense		3,437	33	3,437	33
Bank charges and interest		14,174	13,571	74,978	56,679
Commissions		15,248	38,500	58,423	97,892
Consulting fees		349	-	12,864	8,031
Depreciation	8	669	-	1,631	-
Donations		3,760	1,000	3,760	1,000
Dues and licenses		44,207	18,750	128,188	91,048
Insurance		4,723	3,069	5,289	9,195
Management wages and salaries	12	126,325	47,425	319,503	118,714
Office and miscellaneous		10,016	9,790	39,426	31,142
Product development		17,131	2,995	75,932	6,392
Professional fees		323,060	750	349,551	11,625
Travel and meal allowance		20,769	1,113	29,453	20,632
Warehousing costs		38,778	10,126	66,691	27,000
		(817,236)	(149,005)	(1,392,156)	(493,086)
Loss before other income (expense)		(589,041)	(155,869)	(1,200,631)	(182,735)
Other income (losses)					
Foreign exchange gain (loss)		(566)	(26,547)	5,092	(91,471)
Interest income		975	-	975	-
Loss on settlement of debt		(48,106)	-	(48,106)	-
Write-off of inventory		(23,810)	-	(23,810)	-
Write-off of accounts payable		15,668	-	15,668	875,000
Net income (loss) and comprehensive income (loss) for the year		(644,880)	(182,416)	(1,250,812)	600,794
Basic and diluted (loss) per common share		(0.93)	(0.85)	(2.15)	4.25
Weighted average number of common shares outstanding		692,309	213,412	581,652	141,349

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

Hill Street Marketing Inc.
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Common Shares				
	Shares	**Amount**	**Reserve**	**Deficit**	**Total**
		$	$	$	$
Balance, 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
Net income (loss) and comprehensive income (loss) for the period	-	-	-	600,794	600,794
Balance, March 31, 2017	185,919	1,000,112	-	(3,462,168)	(2,462,056)
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 income (loss) and comprehensive income (loss) for the period	-	-	-	(818,720)	(818,720)
Balance, June 30, 2017	500,878	3,500,748	50,799	(4,280,888)	(729,341)
Private placement	194,785	2,045,243	-	-	2,045,243
Private placement finder's fees – shares	6,838	-	-	-	-
Share issuance costs	-	(27,445)	-	-	(27,445)
Equity component of convertible note	-	-	19,578	-	19,578
Settlement of debt with shares	87,535	989,492	(70,377)	-	919,115
Net income (loss) and comprehensive income (loss) for the period	-	-	-	(1,250,812)	(1,250,812)
Balance, March 31, 2018	790,036	6,508,038	-	(5,531,700)	976,338

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

Hill Street Marketing Inc.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

For the Nine-Month Period Ended	March 31, 2018	March 31, 2017
	$	$
OPERATING ACTIVITIES		
Net (loss) income for the period	(1,250,812)	600,794
Items not affecting cash:		
Accretion expense	16,848	-
Accrued interest	76,814	50,204
Depreciation	1,631	-
Gain on foreign exchange	(5,092)	-
Loss on settlement of debt	48,106	-
Write-off of accounts payable	(15,668)	(875,000)
Write-off of inventory	23,810	-
	(1,104,363)	(224,002)
Changes in non-cash working capital items:		
Amounts receivable	(243,124)	124,476
Inventory	70,881	(209,425)
Prepaid expenses	(13,020)	-
Accounts payable and accrued liabilities	96,703	446,307
Deferred revenue	-	(55,890)
Cash (used in) provided by operating activities	(1,192,923)	81,466
INVESTING ACTIVITIES		
Equipment	(582)	-
Cash used in investing activities	(582)	-
FINANCING ACTIVITIES		
Private placement	2,045,243	-
Cash received from loans	250,000	-
Repayment of loans	(130,174)	(40,677)
Interest payment	-	(20,676)
Cash provided by (used in) investing activities	2,165,069	(61,353)
CHANGE IN CASH	971,564	20,113
CASH, BEGINNING OF PERIOD	31,622	70,364
CASH, END OF PERIOD	1,003,186	90,477

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 Ave, Suite 1401 Toronto, ON, M5G 1V2.

These condensed interim 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 March 31, 2018, the Company had not yet achieved profitable operations, had a working capital of $940,186 (June 30, 2017: working capital deficiency of $753,522), accumulated deficit of $5,531,700 (June 30, 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

<u>Statement of compliance</u>
These condensed interim 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 condensed interim financial statements for the nine-month period ended March 31, 2018 were authorized for issuance by the Board of Directors on September 12, 2018.

<u>Basis of Presentation</u>
The condensed interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. BASIS OF PREPARATION (continued)

Use of Estimates and Judgments

The preparation of these condensed interim 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 condensed interim 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 is required to make an assessment of whether trade receivables are collectible. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Computer hardware	Declining-Balance	55%
Computer Software	Declining-Balance	100%
Equipment	Declining-Balance	20%
Racks	Declining-Balance	20%

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

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.

(Expressed in Canadian Dollars)

4. NEW STANDARDS NOT YET ADOPTED

IFRS 9: Financial Instruments was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39 Financial instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 15 on the Company's financial instruments has not yet been determined.

IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. The impact of IFRS 16 on the Company's financial instruments has not yet been determined.

5. NET REVENUE

For the Nine-Month Period Ended		March 31, 2018	March 31, 2017
Gross revenue	$	1,336,515	1,126,220
Distribution fee		(340,033)	(309,455)
Chargebacks		(346,206)	(148,436)
Listing fees		(73,944)	(37,168)
	$	576,332	631,161

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

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

As at		**March 31, 2018**	**June 30, 2017**
Trade receivables	$	674,429	435,841
GST receivables		27,532	25,026
Allowance for doubtful account		(315,317)	(317,347)
	$	386,644	143,520

An allowance for doubtful accounts of $315,317 (June 30, 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

As at		**March 31, 2018**	**June 30, 2017**
Finished goods	$	224,415	319,106

8. EQUIPMENT

		Computer Equipment		Computer Software		Racks		Equipment		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		350		232		-		-		582
Balance at March 31, 2018	$	2,365	$	1,224	$	-	$	16,059	$	19,648
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
Depreciation for the period		283		116		-		1,232		1,631
Balance at March 31, 2018	$	1,846	$	1,108	$	-	$	9,070	$	12,024
Carrying amount at June 30, 2017	$	452	$	-	$	-	$	8,221	$	8,673
Carrying amount at March 31, 2018	$	519	$	116	$	-	$	6,989	$	7,624

(Expressed in Canadian Dollars)

9. LOANS PAYABLE

The Company has the following loans payable as at March 31, 2018 and June 30, 2017:

As at	**March 31, 2018**	**June 30, 2017**
	$	$
Woolly Goat	89,867	179,734
Smart Alec Investments Ltd.	50,000	50,000
John Pearce	-	33,933
Total balance at end of period	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 nine month period ended March 31, 2018, the Company accrued or paid interest of $12,019 (March 31, 2017: $12,749).

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 nine month period ended March 31, 2018, the Company accrued or paid interest of $4,500 (March 31, 2017: $4,500).

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 nine month period ended March 31, 2018, the Company accrued or paid interest of $1,147 (March 31, 2017: $376).

9. LOANS PAYABLE (continued)

Due to Directors and Officers

As at March 31, 2018, the total loans due to officers and directors were $Nil (June 30, 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 nine month period ended March 31, 2018, the Company accrued or paid interest of $Nil (March 31, 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 nine month period ended March 31, 2018, the Company accrued or paid interest of $Nil (March 31, 2017: $4,125).

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 nine month period ended March 31, 2018, the Company accrued or paid interest of $Nil (March 31, 2017: $3,828).

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 from short-term to long-term (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 nine month period ended March 31, 2018, the Company accrued or paid interest of $Nil (March 31, 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. This transaction incurred a loss on settlement of debt of $48,106. The $70,377 in reserves were reclassified to share capital.

As at March 31, 2018, the carrying value was $Nil (June 30, 2017: $553,299) and accounts payable includes $Nil (June 30, 2017 $15,406) in interest payable.

11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

11. SHARE CAPITAL (continued)

b) Issued and outstanding

At March 31, 2018, the issued and outstanding share capital is comprised of 790,036 (June 30, 2017 - 500,878) shares.

During the nine month period ended March 31, 2018 the Company issued the following shares:

In the nine-month period ended March 31, 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 $27,445.

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
26,301 (June 30, 2017: 52,602) were held in escrow at March 31, 2018.

d) Stock options
The Company has no stock option plan in place as of March 31, 2018.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

e) Warrants

Warrants transactions are summarized as follows:

Expiry	Exercise Price	June 30, 2017	Granted	Exercised	Expired / Cancelled	March 31, 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		-	14,580	-	-	14,580	14,580
Weighted average exercise price		-	$ 18.00	-	-	$ 18.00	$ 18.00
Weighted average remaining contractual life						1.84 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 periods for key management personnel compensation:

During nine month period ended March 31,	**2018**	**2017**
	$	$
Management wages to President	45,835	23,245
Management wages to CFO	47,700	47,735
Management wages to COO	47,700	47,735
Management wages to VP of Sales	45,000	-
Management wages to VP of Strategic Partnerships	37,436	-
Management wages to CEO	67,500	-
Director fees	45,000	-
	336,171	118,715

Included in accounts payable as at March 31, 2018 is $39,895 (June 30, 2017: $5,863) payable to Directors and Officers of the Company for expense reimbursements. The amount is non-interest bearing, unsecured and due on demand.

As at March 31, 2018, the total loan due to related parties was $Nil (June 30, 2017: 568,705) (Note 10).

(Expressed in Canadian Dollars)

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	**March 31, 2018**	**June 30, 2017**
		$	$
Cash	FVTPL	1,003,186	31,622
Amounts receivable	Receivables	386,644	143,520
Accounts payable	Other liabilities	534,192	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 March 31, 2018, 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.

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 bears 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.

13. FINANCIAL INSTRUMENTS (continued)

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 March 31, 2018, the Company had $386,644 (June 30, 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. 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:

During nine month period ended March 31,		**2018**	**2017**
Canada	$	554,809	596,807
United States		21,523	34,354
	$	576,332	631,161

16. COMMITMENTS

<u>MADD Canada</u>

The Company entered into a license agreement dated February 23, 2002 and amended on December 10, 2008, and later amended on February 1, 2013, November 14, 2014, January 1, 2015 and January 2, 2018 ("effective date") whereas the licensor agreed to sub-license to the Company the use of the names and trademarks "MADD Canada" on an exclusive basis.

According to the Fifth Amendment, in consideration for the rights granted under the sub-licenses agrees to pay to "MADD Canada" the greater of the following"

a) 5% of Manufacturer's Suggested Retail Price (MSRP) which equals a per unit contribution by SKU.
b) An additional 2% of Manufacturer's Suggested Retail Price (MSRP) which equals an additional per unit contribution by SKU for all sales secured by the Licenser.
c) The Minimum Guarantee per year is $75,000 starting January 1, 2015.

(Expressed in Canadian Dollars)

16. COMMITMENTS (continued)

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

2017	$	37,500 (paid)
2018		37,500 (outstanding)
Total	$	75,000

Effective January 2, 2018, the Company and MADD Canada agreed to amend and replace the minimum payments associated with this agreement. According to the Sixth Amendment, the new payment terms are as follow:

a) Royalties will now be a function of actual sales.
b) 10% of net revenue from all MADD Canada "directed" & retail sales for all Hill Street brands to be paid on a quarterly basis. Directed sales are sales that result from a MADD Canada activity or online activity that drives a prospect and conversion in Hill Street online store.
c) MADD Canada will not receive royalties on the following activities: from time to time, the Company may execute other partner sponsored retail promotions; and the Company may also contract to do private label production.

This agreement shall remain valid for five years from the effective date, January 2, 2018.

17. CONTINGENCIES

In January 2018, an action was commenced against Hill Street in the 18th Judicial Circuit Court, in Dupage County, Illinois, USA, by KeHe Distributors, LLC ("KeHe"), having case file number 2018L000077. The lawsuit alleges that Hill Street has breached a contractual agreement that it had with KeHe regarding the distribution of Hill Street product in the United States by KeHe to Walgreens supermarkets. Beginning in 2014, Hill Street commenced a pilot program to sell Hill Street products in the United States through the retail chain Walgreens. In connection with that endeavor, Hill Street retained KeHe as its distributor pursuant to a distribution agreement dated February 14, 2014 ("KeHe Distribution Agreement").

The claim by KeHe has two principal elements. The first element relates to chargebacks that were assessed by Walgreens against KeHe, in the sum of approximately USD$330,000 (CDN$410,718), and which KeHe is looking to pass on to Hill Street. The chargebacks relate to Hill Street product that was systemically destroyed by Walgreens for allegedly being passed its best before date. Hill Street's position is that (1) the product in question was not spoiled or past its best before date at the relevant times; (2) Walgreens in conducting its destruction program acted in bad faith, and (3) in permitting that destruction program, KeHe breached certain duties owed to Hill Street under the KeHe Distribution Agreement.

The second element of the claim relates to certain clerical errors committed by KeHe which are alleged to have resulted an overpayment to Hill Street in the amount of approximately USD$140,000 (CND$174,244). Without acknowledging whether KeHe committed any clerical errors, Hill Street's position is that notwithstanding such errors, a full accounting of the situation will show that no monies are owing to KeHe, and in fact, additional monies are owed by KeHe to Hill Street.

The Company has determined that the likelihood of success for KeHe is less than probable for the full amount.

18. SUBSEQUENT EVENTS

Subsequent to the period 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.