

**Hill Street Beverage Company Inc.**  
**(formerly Avanco Capital Corp.)**  
**Management Discussion and Analysis**  
**For the year ended April 30, 2018**

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This Management Discussion and Analysis (“MD&A”) is prepared as at August 29, 2018, and is based on the audited financial statements of Hill Street Beverage Company Inc., formerly Avanco Capital Corp. (the “**Company**”) for the year ended April 30, 2018. This MD&A should be read in conjunction with the audited financial statements for the year ended April 30, 2018. Unless otherwise indicated, all dollar amounts are in Canadian dollars. Additional information relevant to the Company activities can be located on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A may contain certain forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic conditions, general business conditions, limited time being devoted to business by directors, escalating professional fees, and escalating transaction costs. Readers are cautioned not to place undue reliance on forward-looking statements, which are effective only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Actual results may differ materially and adversely from those expressed in any forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements for any reason.

**Description of the Company’s Business**

The Company was incorporated on April 6, 2016 under the *Business Corporations Act* (British Columbia) with one class of shares, being common shares (“**Common Shares**”) without par value.

Prior to completing its initial public offering, the Company issued a total 2,800,000 seed shares at \$0.05 per share in 2016.

On March 22, 2017, the Company completed its initial public offering (the “**IPO**”) as a capital pool company and issued a total of 4,000,000 Common Shares at \$0.10 per share for gross proceeds of \$400,000.00. The Common Shares of the Company effectively commenced trading on the TSX Venture Exchange (the “**Exchange**”) on March 24, 2017 under the symbol “AAA.P”. Haywood Securities Inc. acted as agent (the “**IPO Agent**”) for the Company in connection with the IPO. In connection with the agency agreement, the Company paid the Agent a corporate finance fee of \$11,500 and a 10% cash commission equal to 10% of the gross proceeds of the IPO. The Company also granted the IPO Agent warrants to purchase up to 400,000 Common Shares of the Company exercisable at a price of \$0.10 per share until March 24, 2019.

The purpose of the IPO was to provide the Company with a minimum of funds with which to identify and evaluate assets or businesses with a view to completing a qualifying transaction (“**Qualifying Transaction**”), as defined by the policies of the TSX Venture Exchange (“**TSXV**” or the “**Exchange**”).

On closing of the IPO, the Company granted Incentive Stock Options to its directors and officers to purchase up to 680,000 Common Shares exercisable at \$0.10 per share expiring on March 22, 2027. On September 12, 2017, 204,000 of these options were cancelled and replaced with options exercisable at \$0.15 per share.

On September 14, 2017, the Company entered into a letter of intent (“**Letter of Intent**”) with Hill Street Marketing Inc. (“**Hill Street**”) in connection with a proposed reverse takeover transaction. This transaction is intended to constitute the Company's Qualifying Transaction and is subject to Exchange approval. The Letter of Intent was superseded by a definitive agreement (see below).

#### **Events Subsequent to the year ended April 30, 2018**

On May 28, 2018, Hill Street, the Company and the Company’s wholly subsidiary, Avanco Hill Street Acquisition Corp. (“**Avanco Sub**”) entered into a definitive merger agreement in respect of the Qualifying Transaction, which agreement superseded the Letter of Intent (the “**Definitive Agreement**”). The Company received conditional approval to the completion of the Qualifying Transaction on May 29, 2019 and the Qualifying Transaction was completed on July 24, 2018.

The Qualifying Transaction was structured as a three-cornered amalgamation, whereby on closing, Avanco Sub and Hill Street amalgamated under the terms of *the Ontario Business Corporations Act*, and on amalgamation, Avanco issued shares and other securities to the former securityholders of Avanco Sub and Hill Street, and the company resulting from the amalgamation of Hill Street and Avanco Sub will issue shares to Avanco in consideration for issuing those securities. As a result of the Qualifying Transaction, the amalgamated entity became a wholly owned subsidiary of the Company.

In connection with completion of the Qualifying Transaction, the Company issued 51,635,093 Common Shares and 8,674,800 warrants, to the former securityholders of Hill Street.

Prior to the closing of the Qualifying Transaction, Avanco and its wholly owned subsidiary Avanco Hill Street Acquisition Corp. (“Avanco Sub”) completed a private placement (the “**Concurrent Financing**”) of 27,242,061 subscription receipts (the “**Subscription Receipts**”) at a subscription price of \$0.175 per Subscription Receipt for aggregate gross proceeds \$4,767,360. On closing of the Qualifying Transaction, each Subscription Receipt was converted into one unit of the Company (“**Resulting Issuer Units**”), with each Resulting Issuer Unit being comprised of one Common Share and one half of one warrant of the Company (each whole warrant a “**Warrant**”), with each Warrant exchangeable for one Common Share at a purchase price of \$0.35 per share for a period of 24 months from the date of issuance. In addition, the Company paid cash commissions and finder's fees of \$333,715 and issued 468,000 finders

shares and 1,906,944 finders warrants. Each finders warrant is exercisable to acquire one Unit of the Company at an exercise price of \$0.175 for a period of 24 months from the date of issuance.

On July 24, 2018, the Company completed the Qualifying Transaction to amalgamate Hill Street Marketing Inc., doing business as Hill Street Beverage Co. (“Hill Street”). Pursuant to the amalgamation, the Company issued 51,635,093 common shares at \$0.175 per share and 8,674,800 warrants exercisable at \$0.30 per share for a period of 24 months from the date of issuance.

Of the shares, 31,154,291 shares issued to principals pursuant to the Qualifying Transaction will be subject to a Tier 2 value security escrow agreement to be released over a 36-month period upon completion of the Qualifying Transaction. An additional 2,091,449 shares issued to non-principals pursuant to the Qualifying Transaction will be subject to an eighteen month hold with 25% released every six months, with the first release upon the issuance of the Final Exchange Bulletin pursuant to the policies of the Exchange. Upon closing of the transaction, Hill Street is expected to be a wholly owned subsidiary of the Company and the Company has changed its name to Hill Street Beverage Company Inc. on July 24, 2018.

Effective at the opening, Tuesday, July 31, 2018, the common shares of Hill Street Beverage Company Inc. has commenced trading on the TSX Venture Exchange (Trading Symbol: BEER), and the common shares of Avanco Capital Corp. was delisted.

### **Change of Directors**

On September 12, 2017, Michael Evans tendered his resignation as a director to pursue other opportunities. Michael Woods, the corporate secretary of the Company, was appointed a director of the Company to replace Mr. Evans.

Following completion of the Qualifying Transaction, all of the directors of the Company resigned and the following persons were appointed as directors of the Company: Terry Donnelly, Kevin Ruddle, Craig Binkley, and Paul Rosen.

### **Selected Annual Information**

	<i>Years Ended</i>	
	<i>April 30, 2018</i>	<i>April 30, 2017</i>
	- \$ -	- \$ -
Net loss	(134,686)	(200,274)
Loss per share	(0.02)	(0.08)
Total assets	306,005	388,940
Total equity	277,160	377,502

## Results of Operations

### **Year Ended April 30, 2018**

For the year ended April 30, 2018, the Company incurred a net loss of \$134,686 compared with a net loss of \$200,274 for the year ended April 30, 2017. There was a decrease of net loss or expenses in the amount of \$65,588.

The decrease was primarily from share-based payment of \$131,447 in 2017 compared with \$32,949 in 2018. This expense was a non-cash item. Other decreases included General & administrative expenses of \$107 (2017 – \$1,896) and transfer agent & filing fees of \$21,907 (2017 - \$27,113). The decrease in these expenses in 2018 as compared to the year of 2017 was because in the last year the Company incurred going public fees.

Professional fees in 2018 were slightly increased to \$52,223 (\$39,818 in 2017) due to the costs associated with the Qualifying Transaction incurred in the current year. Sponsor fees of \$27,500 were incurred for the Qualifying Transaction as well (2017 - \$nil).

### Summary of Quarterly Results

	<i>Three months ended April 30, 2018</i>	<i>Three months ended January 31, 2018</i>	<i>Three months ended October 31, 2017</i>	<i>Three months ended July 31, 2017</i>
	- \$-	- \$-	- \$-	- \$-
Total assets	306,005	317,605	359,798	384,354
Working capital	277,160	313,325	348,333	372,965
Shareholders' equity	277,160	313,325	348,333	372,965
Total expenses	28,628	35,008	26,027	4,537
Net loss for the period	(28,628)	(35,008)	(26,027)	(4,537)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	<i>Three months ended April 30, 2017</i>	<i>Three months ended January 31, 2017</i>	<i>Three months ended October 31, 2016</i>	<i>Three months ended July 31, 2016</i>
	- \$-	- \$-	- \$-	- \$-
Total assets	388,940	93,021	66,535	70,742
Working capital	377,502	86,248	57,888	63,381
Shareholders' equity	377,502	86,248	57,888	63,381
Total expenses	159,053	11,640	5,493	24,088
Net loss for the period	(159,053)	(11,640)	(5,493)	(24,088)
Loss per share	(0.03)	(0.01)	(0.00)	(0.01)

### Three Months Ended April 30, 2018

	Three Months Ended April 30, 2018	Three Months Ended April 30, 2017
<b>Expenses</b>		
General & administrative expenses	\$ 18	\$ 1,560
Professional fees	29,771	25,103
Share-based payment	(7,537)	131,447
Transfer agent and filing fees	6,376	943
<b>Net loss for the period</b>	<b>\$ 28,628</b>	<b>\$ 159,053</b>

For the three months ended April 30, 2018, the Company incurred a net loss of \$28,628 (same quarter in 2017 - \$159,053), comprised of general and administrative expense of \$18 (same quarter in 2017 - \$1,560), professional fees of \$29,771 (same quarter in 2017 - \$25,103), share-based payment (\$7,537) for the three months ended April 30, 2018 (same quarter in 2017 - \$131,447), and transfer agent and filing fees of \$6,376 (same quarter in 2017 - \$943). The significant decrease in this quarter as compared to the same quarter in 2017 was mainly due to the share-based payment which was a non-cash item. The increase in transfer agent and filing fees in this quarter as compared to the same quarter of 2017 was because the costs associated with identifying a Qualifying Transaction incurred in this quarter.

### Discussion of Operations and Financial Conditions

For the year ended April 30, 2017, the Company recorded a net loss of \$134,686 of which \$32,949 was non cash share based compensation. The Company had no continuing source of operating revenues or related expenditures. From inception to the year ended April 30, 2018, the Company has not conducted any active business operations. Since its incorporation, the principal activities of Corporation have consisted of the financing of the Company through its initial public offering, the initial listing of its Common Shares on the Exchange, the identification of potential acquisitions, the negotiation of a Qualifying Transaction and efforts to implement same.

### Liquidity and Capital Resources

From inception to April 30, 2018, the Company's capital resources were raised by way of the purchase of Common Shares by the directors and an officer of the Company pursuant to seed subscription agreements and Initial Public Offering. To April 30, 2018, the Company had raised net cash proceeds of \$395,540 and had working positive working capital of \$277,160.

### Uncertainties and Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial

resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

### **Critical Accounting Estimates**

The Company's financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ materially from these estimates. Areas where management uses subjective judgment include, but are not limited to, income tax valuation allowances, fair values of assets and liabilities, and potential impairments of properties. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant.

### **Off Balance Sheet Arrangements**

For the year ended April 30, 2018, the Company did not have any off-balance sheet arrangements.

### **Transactions with Related Parties**

For the year ended April 30, 2018, the Company incurred following legal fees for services provided by a law firm solely owned by a director of the Company:

	Year Ended April 30	
	2018	2017
Legal fees	27,268	11,500

During the year ended April 30, 2018, 204,000 stock options exercisable at \$0.10 were cancelled and replaced with 204,000 options exercisable at \$0.15 per share. (2017: 680,000 stock options to three directors exercisable at \$0.10) expiring on 12 months from the completion of a qualifying transaction as that term is defined in the policies of the exchange.

Subsequent to the year ended April 30, 2018, and following completion of the Qualifying Transaction, the Company granted options to purchase 7,934,510 Common Shares of the Company at an exercise price of \$0.175 per share pursuant to the stock option plan of the Company, to incoming senior officers and directors of the Company.

## **Outstanding Share Information**

### ***Common Shares***

As at the date of this report, following completion of the Qualifying Transaction, the Company has 86,145,154 Common Shares issued and outstanding, of which 32,575,410 Common Shares are held in escrow.

### ***Stock options***

As at the date of this report, the Company has:

- Options to purchase 476,000 Common Shares at an exercise price of \$0.10 per share expiring on March 22, 2027.
- Options to purchase 204,000 Common Shares at an exercise price of \$0.15 per share expiring on July 24, 2019.
- Options to purchase 7,934,510 Common Shares at an exercise price of \$0.175 per share expiring July 30, 2023.
- Compensation options to acquire up to 400,000 Common Shares issued to Haywood Securities Inc. in connection with its services as IPO Agent for the Company, at an exercise price of \$0.10 per share expiring March 14, 2019.
- Compensation options to acquire up to 906,944 Resulting Issuer Units of the Company issued to finders in connection with the Concurrent Financing, at an exercise price of \$0.175 per Resulting Issuer Unit, expiring on July 24, 2020.

### ***Warrants***

As at this report date, the Company has the following warrants outstanding:

- 8,674,800 warrants to purchase up to 8,674,800 Common Shares of the Company with an exercise price of \$0.30 per share until July 24, 2020; and
- 13,621,030 warrants to purchase up to 13,621,030 Common Shares of the Company with an exercise price of \$0.30 per share until July 24, 2020.

### **Legal proceedings**

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”). 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.

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, and which KeHe is looking to pass on to Hill Street. The second element of the claim relates to certain clerical errors committed by KeHe which are alleged to have resulted in an overpayment to Hill Street the balance of which is approximately USD\$140,000. 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 were owing to KeHe, and in fact, additional monies are owed by KeHe to Hill Street.

Hill Street disputes the allegations made by KeHe, and intends to vigorously defend the claim.