

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

FINANCIAL STATEMENTS

April 30, 2018

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.) The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)'s external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

August 29, 2018

"Terry Donnelly"

Director

"Kevin Ruddle"

Director

Independent Auditors' Report

To the Shareholders of Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.):

We have audited the accompanying financial statements of Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.), which comprise the statements of financial position as at April 30, 2018 and 2017, and the statements of loss and other comprehensive loss, changes in equity and 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 audit 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 auditor considers 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 entity'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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.) as at April 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 discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)'s ability to continue as a going concern.

Vancouver, British Columbia
August 29, 2018


Chartered Professional Accountants

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Statements of Financial Position
(Expressed in Canadian dollars)

	April 30, 2018	April 30, 2017
Assets		
Current		
Cash	\$ 292,531	\$ 385,892
GST receivables	5,974	3,048
Prepaid expenses	7,500	-
Total Assets	\$ 306,005	\$ 388,940
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 28,845	\$ 11,438
Shareholders' Equity		
Share capital (note 3)	395,540	394,145
Reserves	229,111	196,162
Deficit	(347,491)	(212,805)
Total Shareholders' Equity	277,160	377,502
Total Liabilities and Shareholders' Equity	\$ 306,005	\$ 388,940

Date of approval: August 29, 2018

"Terry Donnelly"

Director

"Kevin Ruddle"

Director

The accompanying notes are an integral part of these financial statements

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)
 Statements of Loss and Comprehensive Loss
 (Expressed in Canadian dollars)

	Year Ended April 30, 2018	Year Ended April 30, 2017
Expenses		
General and administrative expenses	\$ 107	\$ 1,896
Professional fees	52,223	39,818
Share-based payment (note 3(c))	32,949	131,447
Sponsor fees (Note 7)	27,500	-
Transfer agent and filing fees	21,907	27,113
Net loss and comprehensive loss for the year	\$ 134,686	\$ 200,274
Loss per share:		
Basic and diluted	\$ (0.02)	\$ (0.08)
Weighted average number of common shares outstanding		
Basic and diluted	6,800,000	2,643,287

The accompanying notes are an integral part of these financial statements

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)
 Statements of Changes in Equity
 (Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Total
Balance, April 30, 2016	2,100,000	\$ 105,000	\$ -	\$ (12,531)	\$ 92,469
Repurchased and cancelled seed shares	(100,000)	(5,000)	-	-	(5,000)
Shares issued for cash	4,800,000	440,000	-	-	440,000
Shares issuance cost	-	(145,855)	64,715	-	(81,140)
Share-based payment	-	-	131,447	-	131,447
Net loss for the year	-	-	-	(200,274)	(200,274)
Balance, April 30, 2017	6,800,000	\$ 394,145	\$ 196,162	\$ (212,805)	\$ 377,502
Share issuance cost recovery	-	1,395	-	-	1,395
Share-based payment	-	-	32,949	-	32,949
Net loss for the year	-	-	-	(134,686)	(134,686)
Balance, April 30, 2018	6,800,000	\$ 395,540	\$ 229,111	\$ (347,491)	\$ 277,160

The accompanying notes are an integral part of these financial statements

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended April 30, 2018	Year Ended April 30, 2017
Operating activities		
Net loss for the year	\$ (134,686)	\$ (200,274)
Adjustment for non-cash item		
Share-based payment	32,949	131,447
Net change in non-cash working capital		
GST receivables	(2,926)	(3,048)
Prepaid expenses	(7,500)	8,185
Accounts payable and accrued liabilities	17,407	4,938
Cash used in operating activities	(94,756)	(58,752)
Financing activities		
Share issued for cash (net of share issuance costs)	1,395	362,000
Repurchase of shares	-	(5,000)
Cash from financing activities	1,395	357,000
Net change in cash	(93,361)	298,248
Cash, beginning of year	385,892	87,644
Cash, end of year	\$ 292,531	\$ 385,892

The accompanying notes are an integral part of these financial statements

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

1. NATURE OF OPERATIONS

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.) (the “Company”) was incorporated on April 6, 2016 under the Business Corporations Act (British Columbia). On March 22, 2017, the Company is listed as a capital pool company (“CPC”) as defined by the policy 2.4 (the “CPC policy”) of the TSX Venture Exchange (the “TSX-V” or “Exchange”). On March 24, 2017, the Company’s common shares effectively commenced trading on the TSX Venture Exchange under the symbol "AAA.P".

The Company’s principal business activity will be the identification and evaluation of assets, or businesses with the objective of completing a qualifying transaction (a “Qualifying Transaction”) as defined by the CPC Policy. Under these rules, a Qualifying Transaction must be entered into within 24 months of listing otherwise the Company will, subject to certain conditions, have its listing moved to the NEX board of the Exchange.

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.

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

1. NATURE OF OPERATIONS (continued)

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.

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 April 30, 2018, the Company had not yet achieved profitable operations, had a working capital of \$277,160 (2017 - \$377,502), accumulated deficit of \$347,491 (2017: \$212,805), 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.

The head office, principal address and registered and records office of the Company are located at 2110, 28th Street, West Vancouver, BC, V7V 4M3.

The financial statements of the Company for the year ended April 30, 2018 were authorized for issue in accordance with a resolution of the directors on August 29, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Company and all values are rounded to the nearest dollar.

Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant areas where management's estimates and judgments have been applied include:

Estimates and assumptions

i) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

ii) Share based payments

Share based payments are based upon expected volatility, life of options and forfeiture rates that require management's estimations.

Hill Street Beverage Company Inc.

(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

Judgments

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its working capital requirements.

Cash

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

The proceeds raised from the issuance of share capital and from the initial public offering (the "Offering") (Note 3(a)) may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of \$210,000 or 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

Financial Instruments

Financial assets

Financial assets are classified into one of four categories:

- a) Fair value through profit or loss ("FVTPL");
- b) Held-to-Maturity ("HTM");
- c) Loans and receivables; and
- d) Available for sale ("AFS").

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss. The Company classified its cash as FVTPL which is measured at fair value.

Hill Street Beverage Company Inc.

(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

Held to maturity (“HTM”)

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available for sale (“AFS”)

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

Financial liabilities

Financial liabilities are classified into one of two categories:

- a) Fair value through profit or loss; and
- b) Other financial liabilities

Fair value through profit or loss

This category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with the changes in fair value recognized in the statements of loss and comprehensive loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities, which is recognized at amortized cost.

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Capital Disclosures

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by the management and approved by the board of directors.

The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern;
- b) to facilitate the completion of a corporate objectives.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. As disclosed previously, there are restrictions on the use of cash.

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Basic and Diluted 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.

Income Taxes

The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share-Based Payment Transactions

The stock option plan allows Company directors, officers and technical consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period. Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received.

However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee receives the goods or the services.

Accounting Standards Issued But Not yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

(i) **IFRS 9 Financial Instruments**

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards Issued But Not yet Effective (continued)

- Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company does not anticipate this amendment to have a significant impact on its financial statements.

3. SHARE CAPITAL

Authorized: Unlimited common shares without par value

(a) Common Shares

The Company issued 2,100,000 seed shares at \$0.05 per share for total proceeds of \$105,000 on April 21, 2016.

In May 2016, the Company repurchased and cancelled 100,000 seed shares at \$0.05 per share.

In November and December 2016, the Company further issued 800,000 seed shares at \$0.05 per share.

In accordance with the requirements of the TSX-V, all issued seed shares will be deposited in escrow pursuant to the terms of the Escrow Agreement, the form of which is prescribed by TSX-V, and will be released from escrow in stages over a period of up to three years after the date of Final Exchange Bulletin (issued for the completion of the Qualifying Transaction).

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements
For the year ended April 30, 2018

3. SHARE CAPITAL (continued)

In the event the Company becomes a Tier 2 issuer in accordance with the CPC policy of the TSX-V, the release of the common shares in escrow is as follows:

Release Dates	Percentage of Total Escrowed Securities to be Released	Total number of Escrowed Securities to be Released
Date of Final Exchange Bulletin	10%	288,000
6 months following the Final Exchange Bulletin	15%	432,000
12 months following the Final Exchange Bulletin	15%	432,000
18 months following the Final Exchange Bulletin	15%	432,000
24 months following the Final Exchange Bulletin	15%	432,000
30 months following the Final Exchange Bulletin	15%	432,000
36 months following the Final Exchange Bulletin	15%	432,000
TOTAL	100%	2,880,000

On March 22, 2017, the Company closed its initial public offering of 4,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$400,000. In connection with the offering and pursuant to the agency agreements signed by the Company, a total amount of \$68,000 was paid to the agents as the share issuance costs. The Company also granted the agent warrants to purchase up to 400,000 common shares of the Company at a price of \$0.10 per share with expiry date of March 24, 2019.

(b) Agent Warrants

The following is a summary of agents' warrant transactions for the years ended April 30, 2018 and 2017:

	Weighted Number of Agents' Warrants	Average Exercise Price
Balance, April 30, 2016 and inception date	-	\$ -
Issued	400,000	0.10
Balance, April 30, 2018 and 2017	400,000	\$ 0.10

The following agents' warrants were outstanding and exercisable as at April 30, 2018:

Expiry Date	Number of Agents' Warrants	Exercise Price
March 24, 2019	400,000	\$ 0.10

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements
For the year ended April 30, 2018

3. SHARE CAPITAL (continued)

(c) Incentive Stock Options

On March 22, 2017, 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. These stock options vested immediately.

On September 12, 2017, 204,000 stock options at an exercise price of \$0.10 were cancelled.

On September 13, 2017, the Company granted 204,000 stock options to a director and officer at an exercise price of \$0.15 per share expiring on July 24, 2019. These stock options vested immediately.

A summary of stock options outstanding and exercisable as at April 30, 2018 and 2017 are as follows:

	Number of Options Outstanding & Exercisable	Exercise Price
Balance, April 30, 2016	-	-
Stock options granted	680,000	\$0.10
Balance, April 30, 2017	680,000	\$0.10
Cancelled	(204,000)	\$0.10
Granted	204,000	\$0.15
Balance, April 30, 2018	680,000	\$0.12

Grant Date	Expiry Date	Number of Options Outstanding & Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
March 22, 2017	March 22, 2027	476,000	\$0.10	8.90
September 13, 2017	July 24, 2019	204,000	\$0.15	1.23
		680,000	\$0.12	6.60

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the fair value of the Company's stock options.

Hill Street Beverage Company Inc.
(formerly Avanco Capital Corp.)

Notes to the Financial Statements

For the year ended April 30, 2018

3. SHARE CAPITAL (continued)

(c) Incentive Stock Options (continued)

The fair value of the options granted during the year determined using the Black-Scholes option-pricing model was with the following assumptions:

	April 30, 2018	April 30, 2017
Risk-free interest rate	2.07%	1.68%
Dividend yield	-	-
Estimated expected lives	1.86 years	10 years
Forfeiture rate	-	-
Volatility	167.25%	122.68%

The Company recorded share-based payment expense of \$32,949 (2017: \$131,447) in the statements of loss and comprehensive loss.

4. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to credit risk, liquidity risk and foreign exchange risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits its exposure to credit risk on liquid financial assets through investing its cash with high credit quality financial institutions. Management believes that the Company is subject to minimal credit risk.

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4. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash is currently deposited in the accounts with high-credit quality financial institutions which is available on demand by the Company. As at April 30, 2018, the Company has accounts payable and accrued liabilities of \$28,845 (2017: 11,438). Management intends to meet the financial obligations by raising funds through the completion of the Initial Public Offering.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have exposure to interest rate fluctuation because all of its funds is deposited in chequing account as of April 30, 2018.

(d) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

5. FINANCIAL INSTRUMENTS

As at April 30, 2018, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

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6. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2018, the Company incurred legal fees of \$27,268 (2017: \$11,500) for services provided by a law firm solely owned by a director of the Company.

As at April 30, 2018, included in the Accounts Payable is \$12,919 (2017: \$nil) legal fees not yet paid.

7. SPONSOR FEES

On November 29, 2017, the Company entered a sponsorship Letter Agreement with Haywood Securities Inc. (“Haywood”). Haywood will act as sponsor to the Company for the Qualifying Transaction pursuant to the policies of the Exchange. The Sponsor will conduct due diligence and a review of the Company and Hill Street for the purposes of providing the Exchange with a sponsorship due diligence report upon which the Exchange will rely.

The Company will pay a Sponsorship Fee of \$40,000 plus applicable taxes and reasonable expenses to the Sponsor. As at April 30, 2018, \$27,500 in sponsorship fees and \$7,500 in expenses retainer were paid to Haywood. The balance of the Sponsorship Fee and expenses has been paid off subsequent to the year end.

8. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended April 30, 2018 and 2017:

	2018	2017
	\$	\$
Net loss before tax	(134,686)	(200,274)
Statutory tax rate	26.33%	26.00%
Expected income tax (recovery)	(35,467)	(52,071)
Non-deductible items	11,977	34,181
Change in deferred tax asset not recognized	23,490	17,890
Total income tax expense (recovery)	-	-

The statutory tax rate increased from 26% to 27% due to increase in the British Columbia tax rate on January 1, 2018.

The unrecognized deductible temporary differences as at April 30, 2018 and 2017 are comprised of the following:

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8. INCOME TAXES (continued)

	2018	2017
	\$	\$
Non-capital losses carryforwards	192,292	84,444
Share issuance costs	57,992	76,462
Eligible capital property	1,177	1,177
Total unrecognized deductible temporary differences	251,461	162,083

The Company has non-capital loss carryforwards of approximately \$192,292 (2017: \$84,444) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	\$
2035	12,531
2036	66,678
2037	6,805
2038	106,278
Total	192,292

9. 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.

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10. SUBSEQUENT EVENTS

(a) Refer to Note 1.

(b) Subsequent to April 30, 2018, the Company issued 7,934,510 stock options at an exercise price of \$0.175 expiring July 30, 2023.