

HILL STREET BEVERAGE COMPANY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period and year ended June 30, 2021

The following management's discussion and analysis ("MD&A") provides a review of the activities, results of operations and financial condition of Hill Street Beverage Company Inc. (the "**Company**" or "**Hill Street**") for the three and twelve-month periods ended June 30, 2021, in comparison with the three and twelve months ended June 30, 2020. These comments should be read in conjunction with the audited financial statements for the years ended June 30, 2021 and June 30, 2020 and accompanying notes included therein, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A has been prepared as of October 28, 2021. Additional information relating to Hill Street is available on SEDAR.

All amounts are stated in Canadian dollars unless otherwise identified.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of Hill Street's plans, objectives, strategies, expectations and intentions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although Hill Street believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect Hill Street's views as of October 28, 2021 with respect to future events. Future events are subject to certain risks, uncertainties, and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. Any forward-looking statements, including statements regarding expected volumes, operating efficiencies, or costs are based on, among other things, the following material factors and assumptions: sales volumes will increase over time; no material changes in basic consumer preferences; brewing, blending, and packaging efficiencies will improve over time; the cost of input materials for brewing and blending will increase over time; competitive activity from other manufacturers will continue; foreign currency exchange rates will change; there will likely be material changes to the regulatory environment in which Hill Street operates, particularly regarding cannabis-related products, and there will be no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and for more information regarding the risks, uncertainties and assumptions that could cause Hill Street's actual financial results to differ from the forward-looking statements, to also refer to the remainder of the discussion in this MD&A, Hill Street's various other public filings as and when released by Hill Street. The forward-looking statements included in this MD&A are made only as of October 28, 2021 and, except as required by applicable securities laws, Hill Street does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

DESCRIPTION OF THE BUSINESS

Hill Street is a progressive non-alcoholic beverage and cannabis infusion technology solutions company. We are pioneering the space where craft consumer products meet bioscience by combining our deep CPG expertise and brands with our rights to use **Lexaria Bioscience Corp's** ground-breaking **DehydraTECH™** patent portfolio for product development, licensing and B2B or B2C sales of cannabis ingredients or products.

The Company currently has three lines of business:

1. Hill Street Alcohol-Free Beverages

This line represents the legacy consumer beverage marketing and distribution business. It includes Vin(Zero) alcohol-free wine in Canada, and on a smaller, newly-expanded scale, in the United States and Australia. It is sold in retail chain stores through Canadian distributors, exported outside of Canada through foreign distributors and offered direct to consumers online at www.hillstreetbeverages.com.

2. Hill Avenue Cannabis Brands

Hill Avenue Cannabis Brands focuses on business-to-consumer (B2C) cannabis edibles products for a growing global market. At present, this line is focused on cannabis-infused (V)ia Regal consumer beverages in Canada.

3. Hill Avenue Cannabis Technologies

Hill Avenue Cannabis Technologies' business provides DehydraTECH™ enabled business-to-business (B2B) solutions for both extractors/ingredient suppliers and consumer packaged goods (CPG) manufacturers whose products are infused with cannabis and or hemp extracts. This B2B business line licenses usage rights for DehydraTECH™ patented global intellectual property acquired from Lexaria CanPharm ULC, a subsidiary of Lexaria Bioscience Corp. (together, with Lexaria CanPharm ULC, "**Lexaria**") in December 2020.

Findings from extensive scientific studies on the DehydraTECH™ technology performed by its creator Lexaria include:

- **Increased bioavailability up to 5-10x** – to equate to blood absorption by inhalational delivery
- **Increased brain permeation up to 19x** – as demonstrated in animal studies
- **Avoids first-pass liver metabolism** - mitigating unwanted side effects
- **Reduced time of onset** – effects are felt within 15-20 min vs. 60-120 min
- **Masks unwanted tastes** – eliminating the need for sugar-filled edibles

BUSINESS HIGHLIGHTS FOR THE FISCAL YEAR END

Although faced with unexpected pandemic challenges, Hill Street's 2021 fiscal year was a time of significant development for the Company. During this period, important new business lines, key partnerships and operating systems were put into place to prepare the Company for the next stage of global growth on top of strong performance in the alcohol-free business.

The Company expanded from one line of business to three distinct lines and revenue streams, adding Hill Avenue Cannabis Brands and Hill Avenue Cannabis Technologies to its legacy Hill Street alcohol-free beverages business. This development was supported by several important new partnerships and transactions:

1. Acquired the global usage rights to cutting-edge DehydraTECH™ cannabinoid delivery technology for use in THC cannabis infused products and licensed certain rights to use DehydraTECH™ technology in CBD cannabis infused products, from Lexaria.
2. Created a partnership with Molecule Holdings Inc. to co-pack cannabis-infused beverages under the Hill Avenue Cannabis (V)ia Regal brand in Canada. The first product, (V)ia Regal Pink Grape Sparkler, launched on May 18, 2021 in Ontario, Canada.
3. Acquired and expanded licensing relationships for DehydraTECH™ intellectual property with companies operating commercially in the United States in the states of California, Colorado, Illinois, Massachusetts and Oklahoma. These states represent an expected \$12.9B in 2021 cannabis sales and are the number one, two, three, five, and eleven revenue markets in the United States¹.

FINANCIAL HIGHLIGHTS FOR THE FISCAL 2021 YEAR END

Consolidated Net Revenue Grew 27% this Fiscal Year Versus Previous Fiscal Year Despite the Pandemic

Consolidated net revenue increased significantly versus prior year due to:

1. The Company's first full quarters of cannabis-related revenues were realized in fiscal Q3 and Q4, from DehydraTECH™ licensing activity in the US and Canada.
2. Although supply chain challenges and COVID-19 related delays impacted alcohol-free beverage sales at various points in the year, momentum returned to the business with strong orders to replenish depleted stock by year-end. Additionally, online orders grew 82% versus prior fiscal year as online purchasing was more broadly adopted during the pandemic by consumers and specialty distributors.
3. Significant reductions in chargebacks and listing fees for alcohol-free beverages were realized versus previous fiscal year due to improvements in supply chain management.

Gross Profit Increased 55% Versus Previous Fiscal Year

Strong gross profit performance was driven by the DehydraTECH™ licensing business, which contributed significantly higher margins than the legacy alcohol-free business, and 25% growth in alcohol-free gross profit from sales increases and improvements in supply chain management that led to cost reductions on retailer fees and chargebacks.

¹ Annual Marijuana Business Factbook, 2021, 9th Edition, Marijuana Business Daily, pages 16 – 17

Net Earnings Improved By 16%, Narrowing the Net Loss

The Company recorded a net loss of \$3,086,231 for the twelve months ended June 30, 2021 compared to a loss of \$3,681,679 in the twelve months ended June 30, 2020. The improvement in net earnings of 16% was driven primarily by an improvement in gross profit of 55% and 7% lower operating expenses.

Q4 HIGHLIGHTS

Q4 results began to tangibly demonstrate the step-change that the new multi-business-line model has had on the key financial metrics of the Company. This is particularly evident in the gross profit line where the DehydraTECH™ business not only contributed growth but drove dramatic improvements to the overall margins of the Company.

Q4 Consolidated Net Revenues Increased by 60% Versus Same Quarter Previous Year

1. The Company added wholly new cannabis revenue versus the same quarter a year ago that did not include either of the Company's cannabis-related lines of business.
2. Strong momentum in the legacy alcohol-free business was realized in the quarter, fueled by ongoing consumer trends around consumption moderation, strong retail stock replenishment, and growth in online sales during the global pandemic.
3. Chargebacks and listing fees were lower due to improvements in supply chain management.

Q4 Gross Profit Increased 179% Versus Same Quarter Previous Year

The significant gross profit acceleration in the Q4 compared to the 12-month fiscal period shows the impact of the DehydraTECH™ licensing business contributing significantly higher margins than the alcohol-free business. Even so, revenue gains and cost reductions on retailer listing fees and chargebacks resulted in significant gross profit gains on that line of business as well.

Hill Avenue Cannabis Brands' First Beverages Launched in Ontario

Hill Avenue's first cannabis-infused beverage, (V)ia Regal Pink Grape Sparkler, a premium sparkler made from grapes imported from European vineyards, became available for retail purchase midway through fiscal Q4 on May 18, 2021, at the Ontario Cannabis Store in Ontario, Canada. The first shipment sold out in less than ten days and several follow-on purchase orders have since been fulfilled.

The Company Continued Building its Hill Avenue Cannabis Technologies Line of Business

The Company continued building its B2B DehydraTECH™ licensing business which is focused on:

1. licensing usage rights for DehydraTECH™ patented global intellectual property to licensed cannabis CPG companies for application in their cannabis-infused consumer products; and
2. licensing usage rights to extractors for converting cannabis oil into DehydraTECH™ powder to preserve cannabinoid potency and extend shelf life in the supply chain for cannabis-infused CPG brands and products.

During the fiscal Q4, the Company worked on expanding licensing relationships for DehydraTECH™ intellectual property with companies operating commercially in the United States in California, Colorado,

Illinois, Massachusetts, and Oklahoma. These states are expected to represent \$12.9B in 2021 cannabis sales².

Also, during the quarter, the Company prepared a major new licensing agreement in Michigan, with DeHydr8 MI LLC (“**DeHydr8**”), which was executed on July 26th, 2021, subsequent to quarter and fiscal year end. While as part of Hill Street’s acquisition of the DehydraTECH™ technology from Lexaria, Hill Street acquired certain existing licensing agreements with licensees operating in the B2C market, DeHydr8 became Hill Street’s first US licensee to gain rights to market DehydraTECH™ for THC cannabis products within both the B2B and B2C market. Since then, DeHydr8 has leveraged both its deep relationships and years of experience in the cannabis market to enter into agreements with top quality LPs to produce consumer products powered by DehydraTECH™.

Michigan adds another important state to the Company’s US footprint, ranking among the top five states in the US for cannabis sales and growth and currently on track to register \$1.4-\$1.7 billion in annual cannabis sales in 2021. This new commercial operation significantly accelerates the Company’s ability to commercialize DehydraTECH™ technology in other legal US states.

The total US market is projected by BDS Analytics to reach \$24B in sales in 2021 and to practically double to \$47.6B in 2026³, with continued growth in current markets as well as several large states becoming newly legal expansions for adult use. Four new US states passed legalization measures in the November 2020 elections, and four more new states have approved legalization measures during calendar 2021, including New Jersey and New York, where the latter is predicted by BDS Analytics to be a top five market by 2026⁴.

Preparations Continued on Securing Cannabis License for Hill Avenue Through the Lucknow Facility

The Company continued preparations for obtaining the Health Canada Standard Processor License for its Lucknow cannabis facility to produce DehydraTECH™ fast-acting cannabinoid powder for potential B2B and B2C sales. Subsequent to the quarter, construction commenced at the facility as Covid-19 restrictions, delays and supply challenges began to ease.

Permanent CEO Search

The interim plan of having two globally experienced CEOs, both highly driven and passionate about Hill Street, has been very important during the Company’s transition. The Company has moved from one business, predominately in Canada, to creating three distinct businesses with global potential and has worked to set up the operational backbone that could support the breadth and scale of its growth agenda. When the Company considers that this transition period is complete, it will look to have one dedicated CEO to execute the plan with continued speed and excellence.

² Annual Marijuana Business Factbook, 2021, 9th Edition, Marijuana Business Daily, pages 16 – 17

³ BDSA Reports Global Cannabis Sales Surge 41% YoY in 2021; Will Surpass \$62 Billion by 2026” - <https://www.yahoo.com/now/bdsa-reports-global-cannabis-sales-130000521.html>

⁴ BDSA Reports Global Cannabis Sales Surge 41% YoY in 2021; Will Surpass \$62 Billion by 2026” - <https://www.yahoo.com/now/bdsa-reports-global-cannabis-sales-130000521.html>

RESULTS OF OPERATIONS

The following table summarizes certain financial information of the Company for the years ended June 30, 2021, June 30, 2020 and June 30, 2019.

Results for the Year Ended	June 30, 2021	June 30, 2020	June 30, 2019
Gross Revenue	\$2,753,481	\$2,613,923	\$2,423,094
Chargebacks, finance fees, and listing fees	-\$558,567	-\$883,068	-\$1,151,894
Net Revenue	\$2,194,914	\$1,730,855	\$1,280,200
Direct Costs	-\$1,071,284	-\$1,004,806	-\$848,373
Gross profit	\$1,123,630	\$726,049	\$431,827
Operating Expenses (excl. One-time & Non Cash)	\$2,829,462	\$2,453,642	\$3,430,203
One-time Expenses	\$167,548	\$1,242,075	\$1,136,338
Non Cash Expenses	\$1,075,035	\$676,940	\$875,666
Loss before other Income (Expense)	-\$2,948,415	-\$3,646,608	-\$5,010,380
Other income (Expenses)			
Foreign exchange gain (loss)	-\$5,393	-\$7,975	-\$17,240
Gain on favourable interest rate	\$6,541	\$17,939	-
Gain on settlement of liability	\$137,480	\$43,217	-
Loss on fair value of Consideration	-\$259,216	-	-
Charges related to public company listing	-	-	-\$918,345
Write-off of intangibles	-	-\$8,000	-
Write-off of inventory	-\$17,258	-\$80,445	-\$7,298
Other Income	\$30	\$194	\$9,411
Income (Loss) and comprehensive income (loss) for the period	-\$3,086,231	-\$3,681,679	\$5,943,852
Basic and diluted loss per common share	-\$0.02	-\$0.04	-\$0.07
Weighted average number of common shares outstanding	141,775,866	104,401,665	85,543,433

REVENUES

During the year ended June 30, 2021, net revenues were \$2,194,914 compared to \$1,730,855 in the year ended June 30, 2020, representing an increase of 27%. Net revenues are a better reflection of the revenue health of our consolidated business, both on the alcohol-free side as well as our cannabis-related business initiatives. The increase in net revenue was driven by the new revenues from cannabis-related lines of business, as well as lower chargebacks and listing fees as a percentage of gross revenue on alcohol free. For the twelve months ended June 30, 2021, chargebacks and listing fees represented 20% of gross revenues, down from 34% for the twelve months ended June 30, 2020. Chargebacks are fees charged by retailers and distributors for marketing programs and discounts, as well as other fees or penalties. Chargebacks for the year were \$558,567 vs. \$883,068 for the prior year.

Gross revenues for the year ended June 30, 2021 were \$2,753,481 compared to \$2,613,923 for the prior year in 2020. The increase of 5% compared to the prior year ended June 30, 2020, recognizes the new cannabis licensing revenues that were offset by lower alcohol-free revenue at the gross revenue line due to major changes in chargebacks with key accounts. Supply chain and manufacturing delays, along with COVID-19 related difficulties including lock-down at the overseas manufacturer, resulted in lower sales early in the year; however, this was more than offset by retailers restocking in Q4. In addition, online sales increased by 82% compared to the prior year, as online purchasing behavior was more broadly adopted during the pandemic by consumers and specialty distributors.

COST OF SALES/DIRECT COSTS

Cost of sales were \$1,071,284 or 39% of gross revenue for the year ended June 30, 2021 and \$1,004,806 or 38% of gross revenue for the year ended June 30, 2020. This one percentage point increase over the twelve months ended June 30, 2020 was driven by higher product costs and COVID-19 related import freight costs on the alcohol-free business. This was offset by the addition of low cost / high margin DehydraTECH™ licensing revenues.

OPERATING EXPENSES (EXCLUDING ONE-TIME & NON-CASH)

Ordinary operating expenses include selling and marketing expenses, employee expenses, donations, dues & licenses, professional fees, and other general and administrative expenses. For the year ended June 30, 2021, operating expenses totaled \$2,829,462, compared to \$2,453,642 for the year ended June 30, 2020. The principal drivers of the \$375,820 increase in operating expenses were: consulting & professional fees, selling & distribution expenses, insurance, interest on convertible loan, management fees and filing fees, which were offset by lower donation & licensing, and marketing expenses. Professional fees increased by \$303,029 primarily due to higher legal fees of \$107,552, accounting and audit expenses of \$129,094, and increased investor relations fees of \$41,834. Consulting fees increased by \$51,214 mainly due to cannabis consulting fees. Selling and distribution costs increased by \$143,472 due to higher retail sales as well as higher fulfillment costs online and retailer fines due to COVID-19 related temporary stock out fees. Insurance expense increased by \$99,361 due to a higher cost associated with cannabis business risk. Office and miscellaneous expenses increased by \$59,569 driven by implementation of the Company's ERP system. Board fees increased by \$34,021 year over year. Donations, dues and licenses decreased by \$266,532 to (\$31) from \$266,501 in prior year primarily due to the expiry of a partnership brand licensing agreement. Marketing expenses decreased by \$116,457.

OPERATING EXPENSES – ONE TIME

In addition to ordinary operating expenses, for the year ended June 30, 2021, one-time expenses were \$167,548 relating to severance costs, recruitment fees, ERP system implementation costs, legal costs, and investor relations, which were offset by amounts received for Canada Employment Wage Subsidy. For the year ended June 30, 2020, one-time expenses were \$1,242,075 primarily for M&A exploration, severance, one time investor relations related costs, fees for capital raise and expenses for cannabis investments.

OPERATING EXPENSES - NON-CASH

For the year ended June 30, 2021, the Company incurred non-cash expenses totaling \$1,075,035 which includes expenses related to the stock options, depreciation, warrants issued in exchange for marketing

services, accretion expense, and accrued interest. For the prior year ended June 30, 2020, the Company incurred non-cash expenses of \$676,940. These expenses included non-cash severance, stock options, accretion, depreciation, and warrants issued in exchange for the marketing of services.

OTHER EXPENSES

For the year ended June 30, 2021, the Company incurred other expenses totaling \$137,816. This includes \$5,393 for loss on foreign exchange, \$6,541 for a gain favourable interest rate, \$137,480 for the gain on settlement of liabilities, \$259,216 for a loss on fair value of consideration, loss on the write-off of inventory \$17,258 and interest income of \$30. For the year ended June 30, 2020, the Company incurred other expenses totaling \$35,070. This includes \$7,975 for loss on foreign exchange and \$17,939 for a gain favourable interest rate, \$43,217 for the gain on settlement of liabilities, loss on the write-off of inventory \$80,445, loss on the write-off of intangibles for \$8,000 and interest income of \$194.

NET EARNINGS

The Company recorded a net loss of \$3,086,231 for the year ended June 30, 2021 compared to a loss of \$3,681,679 in the year ended June 30, 2020. The improvement in net earnings of 16% was driven by an improvement in gross profit of 55%, lower operating expenses of 7%, and a decrease in other income and expenses mainly due gains on settlement of liabilities, loss on fair value consideration and reduced inventory write-offs compared to prior year.

The basic and diluted loss per share for the year ended June 30, 2021, was \$0.02 per share. The basic and diluted loss per share for the year ended June 30, 2020, was \$0.04 per share.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for the quarters indicated below, representing the fiscal years 2021 and 2020:

	June 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Gross Revenue	\$718,755	\$774,747	\$875,529	\$384,450	\$623,450	\$502,997	\$973,710	\$513,766
Net Revenue	\$519,194	\$655,259	\$745,749	\$274,712	\$323,604	\$388,536	\$689,276	\$329,439
Direct Costs	\$261,583	\$317,155	\$363,840	\$128,706	\$231,176	\$226,366	\$395,228	\$152,036
Gross Profit	\$257,611	\$338,104	\$381,909	\$146,006	\$92,428	\$162,710	\$294,048	\$177,403
Net Loss (gain)	\$1,469,469	\$660,387	\$480,522	\$475,853	\$456,685	\$796,425	\$882,658	\$1,509,913
Total Assets	\$7,609,334	\$5,935,113	\$6,438,534	\$1,368,840	\$2,016,673	\$1,594,737	\$2,225,062	\$1,908,157
Total Liabilities	\$3,632,174	\$5,031,004	\$4,941,526	\$1,600,388	\$1,831,246	\$1,242,007	\$1,198,761	\$882,662
Shareholder Equity	\$3,977,160	\$904,109	\$1,497,008	(\$231,548)	\$185,427	\$352,730	\$1,026,301	\$1,025,495

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Company's principal capital needs are for operating expenses related to inventory, general and administrative, and marketing expenses for its three lines of business. The Hill Street Beverages alcohol-free business requires significant investments in finished goods inventory that are not necessary in the two cannabis-related lines of business. Additional investments are being made to support the Hill Avenue Cannabis Brands business as well as Hill Avenue Cannabis Technologies' DehydraTECH™ powder and license business to monetize the DehydraTECH™ intellectual property. In addition, the company will need to continue to invest in building its cannabis licensed facility at the Lucknow location in Ontario, Canada. Since its formation, the Company has financed its additional cash requirements through revenues generated from operations, issuance of securities and borrowing from shareholders and other lenders.

As of June 30, 2021, the Company had positive working capital of \$2,309,895. The Company will continue to focus on cost management and revenue growth across its three lines of business.

On November 18, 2020, the Company issued 17,019,000 units (the "**November 2020 Units**") at a price of \$0.05 per November 2020 Unit for gross proceeds of \$850,950. Each November 2020 Unit consisted of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of \$0.13 per share, exercisable for a period of 24 months from the date of issuance. The warrants were assigned a value of \$274,581. In connection to the private placement, the Company paid \$25,938 in cash for share issuance cost.

On December 9, 2020, the Company issued 6,031,363 units valued at \$753,920 pursuant to licensing agreement entered with Lexaria Canpharm UCL.

On April 9, 2021, the Company issued 42,548,544 units (the "**April 2021 Units**") at a price of \$0.08 per April 2021 Unit for gross proceeds of \$3,403,884. Each April 2021 Unit consisted of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of \$0.11 per share, exercisable for a period of 36 months from the date of issuance. The warrants were assigned a value of \$1,318,889. In connection to the private placement, finder's fees of \$8,320 in cash and 52,000 broker warrants were paid and issued to arm's length parties, valued at \$2,743. Each broker warrants entitle the holder to purchase one common share at a price of \$0.08 for a period of 24 months from the date of issuance. The Company also paid \$56,356 in cash for share issuance cost.

During the fiscal year 2021, the Company issued 6,465,178 common shares in connection with the exercise of warrants for gross proceeds of \$596,517. The shares issued were valued at \$873,604, representing the sum of the proceeds of \$596,517 and the transfer of previously recognized warrants reserve of \$277,087.

During the fiscal year ended June 30, 2021, Company issued 20,450,000 common shares pursuant to the full conversion of \$1,022,500 principal amount of its convertible debt outstanding. In relation to the conversion of convertible debt, \$136,130 was reclassified from reserves to share capital.

WORKING CAPITAL

Working capital represents current assets less current liabilities. As of June 30, 2021, the Company had a positive working capital of \$2,309,895 compared to a positive working capital of \$571,611 for June 30, 2020.

CASH FLOWS

During the year ended June 30, 2021, Hill Street had negative cash flows from operations of \$2,325,544 compared to negative cash flow of \$1,930,439 during the year ended June 30, 2020. The amount of cash used in investing activities in the year ended June 30, 2021 was \$400,316 compared to \$9,497 in the year ended June 30, 2020. This increase over the prior year was primarily due to the company's acquisition of Lexaria assets. The amount of cash generated in financing activities during the year ended June 30, 2021 was \$4,747,570 compared to \$1,571,755 in the twelve months ended June 30, 2020.

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations for future periods is as follows:

Contractual Obligations	Payments due by Period					Total
	FY2022	FY2023	FY2024	FY2025	FY2026	
Operating Leases (Including TMI)	\$30,656	\$12,910	\$0	\$0	\$0	\$43,566
Purchase Obligations	\$267,808	\$21,176	\$0	\$0	\$0	\$288,984
Total	\$298,464	\$34,086	\$0	\$0	\$0	\$332,549

SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares of which 204,718,694 Common Shares are issued and outstanding as of the date hereof.

CAPITAL RESOURCES

As of June 30, 2021, the Company did not have commitments for capital expenditures.

OFF BALANCE SHEET ARRANGEMENTS

Hill Street does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company considers its executive officers and directors to be key management personnel. The Company incurred the following amounts to related parties during the respective periods for key management personnel compensation.

During year ended June 30,	2021	2020
Total salaries, benefits and management fees	\$1,010,815	\$856,646
Stock-Based compensation	\$480,744	\$283,735
Management and Director Compensation	\$1,491,559	\$1,140,381

Included in accounts payable as at June 30, 2021 is \$294,287 (June 30, 2020: \$337,682) payable to Directors and Officers of the Company for management wages. The amount is non-interest bearing and unsecured.

On April 9, 2021, certain members of management and board members participated in a non-brokered private placement financing of units ("**April 2021 Units**") for gross proceeds of \$310,825 at a price of \$0.08 per Unit. Each Unit consists of one common shares and one warrant, with each warrant entitling the holder thereof to purchase one common share in the capital of the Company at a price of \$0.11 per share for a period of three years from closing, subject to acceleration.

On December 19, 2019, certain members of management and board members participated in the non-brokered private placement financing of units ("**December 2019 Units**") for gross proceeds of \$250,000 at a price of \$0.06 per Unit. Each Unit consists of one common share and one warrant, with each warrant entitling the holder thereof to purchase one common share in the capital of the Company at a price of \$0.13 per share for a period of two years from closing, subject to acceleration.

As at June 30, 2020, the company had \$770,485 of related party convertible debt related to a private placement financing on May 4, 2020 for gross proceeds of \$1,022,500 at a price of \$1.00 per unit ("**May 2020 Unit**"). Each May 2020 Unit is comprised of \$1.00 principal amount of secured convertible debentures and 20 common shares of the Company up until the date of maturity

During the year ended June 30, 2021, the principal amount of \$1,022,500 was converted into 20,450,000 common shares at conversion price of \$0.05 per share.

FOURTH QUARTER

The following table summarizes certain financial information of the Corporation for the three months ended June 30, 2021, June 30, 2020 and June 30, 2019.

Results for the Quarter ended	June 30, 2021	June 30, 2020	June 30, 2019
Gross Revenue	\$718,755	\$623,450	\$506,721
Chargebacks and listing fees	-\$199,561	-\$299,846	-\$561,821
Net Revenue	\$519,194	\$323,604	-\$55,100
Direct Costs	-\$261,583	-\$231,176	-\$164,193
Gross profit	\$257,611	\$92,428	-\$219,293
Ordinary Operating Expenses	\$776,938	\$395,349	\$668,452
One-time Expenses	\$117,001	\$107,965	\$475,195
Non Cash Expenses	\$611,994	\$41,859	\$175,609
Loss before other Income (Expense)	-\$1,248,318	-\$452,745	-\$1,319,256
Other income (Expenses)			
Foreign exchange (loss) gain	-\$18,876	-\$8,310	-\$2,690
Write-off of inventory	-\$15,723	-\$56,979	\$54,771
Gain on favourable interest rate	\$0	\$17,939	\$0
Loss on fair Value of consideration	-\$259,216	\$0	\$0
Gain on Debt Conversion	\$1,168	\$0	\$0
Gain on Settlement of Liability	\$71,497	\$43,217	\$0
Other Income	0	\$194	-\$24,978
Income (Loss) and comprehensive Income (loss) for the period	\$1,469,469	-\$456,685	\$6,711,371

REVENUES

Net revenues for the three months ended June 30, 2021, were \$519,194 compared to \$323,604 in the same period year ago. This 60% increase reflects the addition of our cannabis-related business units, as well as chargebacks and listing fees declining as a percentage of Gross Revenue year over year on alcohol-free beverages. Net revenues are calculated by deducting from gross revenues the costs of chargebacks and listing fees. Chargebacks are fees charged by retailers and distributors for program money and discounts. Listing fees represent the fees charged by retailers to have product available for sale in such retail establishments. For the three months ended June 30, 2021, chargebacks and listing fees represented 28% of gross revenues compared to 48% for the three months ended June 30, 2020.

During the three months ended June 30, 2021, gross revenues were \$718,755 compared to \$623,450 for the three months ended June 30, 2020, representing an increase of 15%, again driven by an increase in Cannabis Licensing Fee revenue offset by a slight decline in Alcohol Free gross revenue.

COST OF SALES/DIRECT COSTS

Direct costs were \$261,583 or 36% of gross revenue for the three months ended June 30, 2021 compared to \$231,176 or 37% for the three months ended June 30, 2020. The year over year increase of one percentage point is driven by higher import freight costs associated with the alcohol-free business.

OPERATING EXPENSES - ORDINARY

Operating expenses include selling and marketing expenses, employee expenses, donations, dues & licenses, professional fees, and other general and administrative expenses. For the three months ended June 30, 2021, operating expenses totaled \$776,938 compared to \$395,349 for the three months ended June 30, 2020 representing an increase of \$381,589 driven by higher distribution, G&A and employee expenses and offset by a decline in marketing expenses

OPERATING EXPENSES - ONE TIME

In addition to ordinary operating expenses, the Corporation incurred a number of one-time expenses. For the three months ended June 30, 2021, one-time expenses totaled \$117,001 relating to expenses for severance, private placement offering, and the implementation of the company's new ERP system. For the three months ended June 30, 2020, one-time expenses totaled \$107,965 relating to cannabis investment, M&A exploration, investor relations, warrants expense for services, severance and legal fees.

OPERATING EXPENSES - NON CASH

For the three months ended June 30, 2021, the Corporation incurred non-cash expenses totaling \$611,991. These include the expense related to depreciation and accretion expenses, stock options and accrued interest. For the three months ended June 30, 2020 the Corporation incurred non-cash expenses totaling \$41,859, including the expense related to depreciation, accretion, warrant expense for services and severance expense. The expenses were higher in this fiscal Q4 due to deprecation for intangibles, the revaluation of stock options, accretion expense and accrued interest on the promissory note. These expenses were offset by favourable non-cash severance.

OTHER EXPENSES

For the three months ended June 30, 2021, the Corporation had other expenses totaling \$221,150. The overall income was driven by foreign exchange loss of \$18,876, an inventory write-off for \$15,723, a loss on fair value of consideration of \$259,216 which was offset a gain on settlement of liability of \$71,497. For the three months ended June 30, 2020, the Corporation had other expenses totaling \$3,959. The expense was driven by foreign exchange loss of \$8,310, an inventory write-off for \$56,979, offset by gains gain on settlement of liability of \$43,217 and gains in favourable interest rate of \$17,939 and interest income of \$194.

NET EARNINGS

The Corporation recorded a net loss of \$1,469,469 for the three months ended June 30, 2021, compared to a net loss of \$456,685 for the three months ended June 30, 2020, which was driven by higher non-cash operating expenses, general and administrative expenses and increased distribution fees associated with higher sales volumes.

LEGAL PROCEEDINGS

Subsequent to year end, a former employee filed a claim against the Company in the amount of \$500,000 for employment-related compensation. The Company has assessed the merits of the claim, has filed a defence, and denies any liability in connection with this claim.

OUTSTANDING SHARE DATA

As of October 27, 2021, the Company has the following securities issued and outstanding

Security Designation	Number issued and outstanding
Common Shares	212,294,453
Warrants to purchase Common Shares	99,084,196
Incentive Stock Options	15,774,693
Broker Warrants to purchase Common Shares	52,000
Other ¹	4,188,953
Maximum Fully Diluted	331,394,294

Notes:

1. This represents the maximum number of shares that remain issuable to Lexaria Biosciences Corp. in connection with the acquisition of the Dehydra Tech™ technology which was completed on December 11, 2020.

CRITICAL ACCOUNTING ESTIMATES

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Calculation of the net book value of machinery and equipment requires Management to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the balance sheet.

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